HongLeong Financial Group Berhad

Hong Leong Financial Group Berhad (8024-W)

Annual Report 2013

Hong Leong Financial Group Berhad (8024-W)
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Motivate
Success
2013
2011
2007
2006
600

CONTENTS

Corporate Section

Financial Section

RM180.5 bil

Total assets
(2012:RM170.3 bil)

RM4.4 bil

Revenue
(2012:RM4.2 bil)

RM2.6 bil

Profit before tax
(2012:RM2.4 bil)

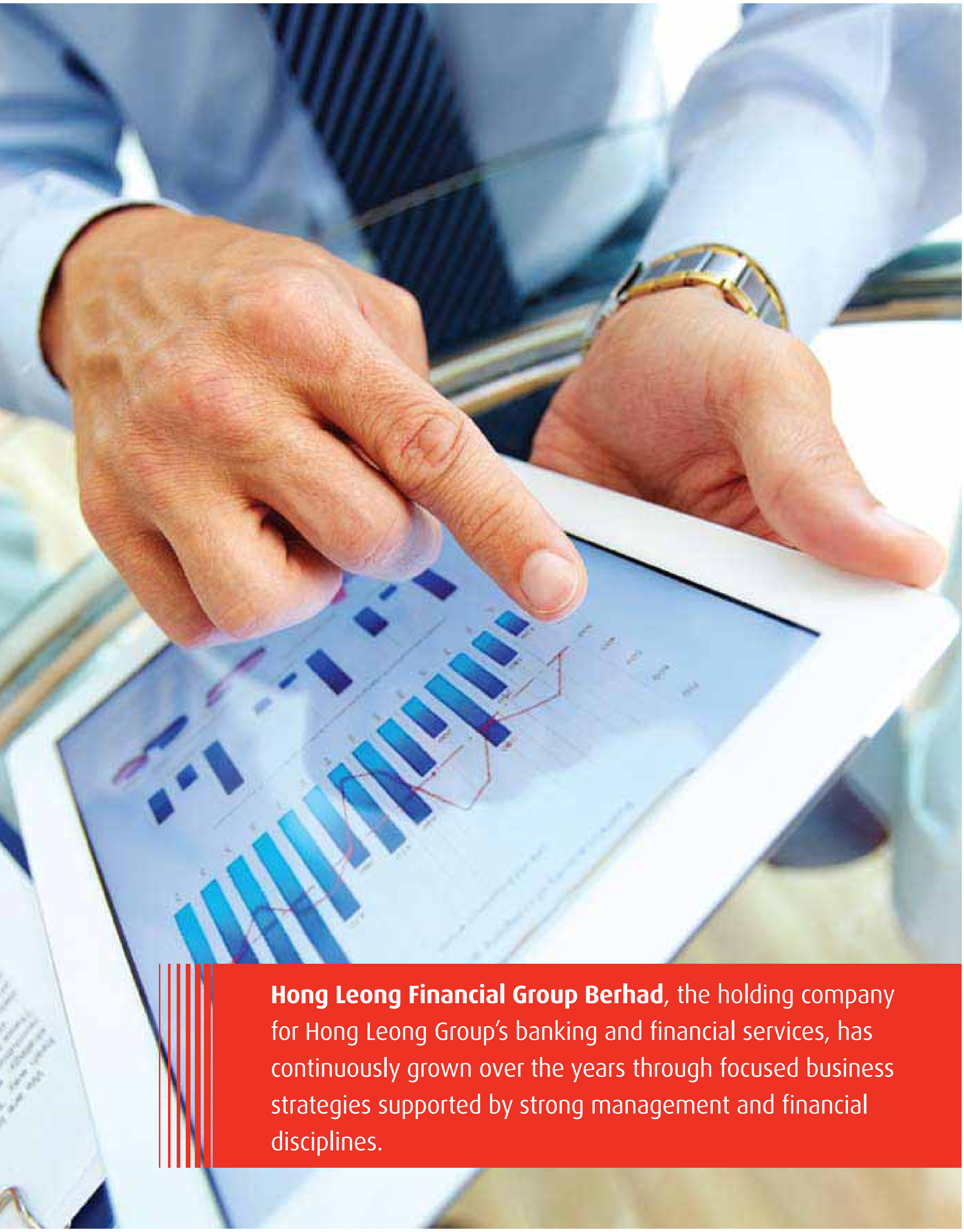
RM1.5 bil

Profit attributable to owners of parent
(2012:RM1.2 bil)

142.7 sen

Basic earnings per share
(2012:118.6 sen)

INTRODUCTION



Hong Leong Financial Group Berhad, the holding company for Hong Leong Group's banking and financial services, has continuously grown over the years through focused business strategies supported by strong management and financial disciplines.

INTRODUCTION
(continued)

Malaysia Vietnam Cambodia
Singapore Hong Kong China

The Financial Group's integrated suite of conventional and Islamic financial products and services enables it to reach out and connect with its customers both in Malaysia and in the region.

Through Hong Leong Bank Berhad, the Group provides comprehensive services in personal financial services, business banking, treasury, transaction banking, wealth management and Islamic financial services. With an extensive distribution network of more than 300 branches and 1500 self-service terminals throughout Malaysia, Hong Leong Bank is well positioned to offer effective, sound and responsible financial solutions to Malaysians from all walks of life.

Beyond its home base, the Bank's regional footprint is marked by branches in Singapore and Hong Kong, as well as wholly owned subsidiaries in Vietnam and Cambodia. In China, the Bank has a 20% shareholding in Bank of Chengdu Co., Ltd., Sichuan, and is also a joint venture partner with Bank of Chengdu in operating a licensed consumer finance company in Chengdu, Sichuan.

Islamic banking and wealth management services are provided through its full-fledged Islamic bank, Hong Leong Islamic Bank Berhad. Offering holistic financial solutions in wholesale and investment banking, business banking, personal financial services and wealth management that encapsulate the tenets and principles of Syariah Law, Hong Leong Islamic Bank's products and services are easily accessible to customers seeking an alternative to conventional banking both through its dedicated Islamic banking branches as well as through all conventional banking branches nationwide.

Hong Leong Assurance Berhad, a leading Malaysian insurance company, is one of the country's fastest growing life insurers backed by a fast expanding agency force nationwide. Through a strategic partnership exercise, Hong Leong Assurance Berhad has merged its general insurance business with MSIG Insurance (Malaysia) Bhd, forming Malaysia's second largest general insurer. The Group is also present in Hong Kong through its subsidiary Hong Leong Insurance (Asia) Limited. Additionally, Islamic General Insurance, or Takaful is provided through Hong Leong MSIG Takaful Berhad.

The Financial Group also provides stockbroking, investment banking, capital market services and fund management services across the region through the subsidiaries of Hong Leong Capital Berhad, namely Hong Leong Investment Bank Berhad and Hong Leong Asset Management Bhd. Hong Leong Investment Bank Berhad offers relevant and effective solutions to institutional clients in Asia seeking to generate value and access to capital markets as well as innovative trading products and services across treasury, equities, derivatives and foreign exchange.

HLG Unit Trust Bhd, one of the pioneers in the Malaysian Unit Trust industry, after a merger with HLG Asset Management Sdn Bhd is today known as Hong Leong Asset Management Bhd. Hong Leong Asset Management offers a comprehensive range of managed solutions across equity and debt asset classes along with efficient customer support and communication to help its customers achieve superior long term risk-adjusted returns.

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

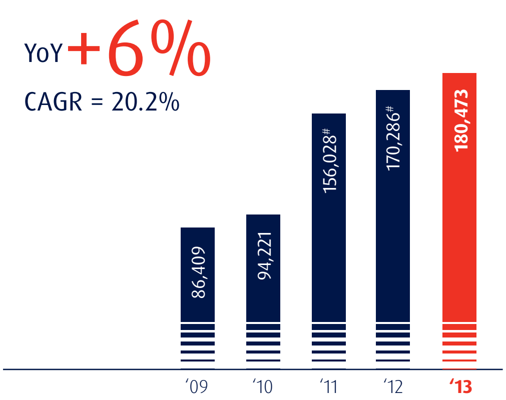
The Group	2009 RM'Million	2010 RM'Million	2011# RM'Million	2012# RM'Million	2013 RM'Million
Statements of Financial Position					
Total Assets	86,409	94,221	156,028	170,286	**180,473**
Net Loans	35,498	38,522	82,495	89,513	**96,275**
Total Liabilities	79,655	86,703	145,179	157,004	**165,468**
Deposits from customers	67,262	69,481	114,749	123,217	**123,959**
Shareholders' Funds	4,497	5,219	7,874	8,899	**10,076**
Commitments and contingencies	78,597	102,891	142,617	154,335	**167,126**
Statements of Income					
Revenue	2,270	2,459	3,666	4,158	**4,379**
Profit before tax	1,150	1,451	2,423	2,394	**2,630**
Net Profit	962	1,206	2,072	1,853	**2,165**
Profit attributable to owners of the parent	632	861	1,674	1,234	**1,488**
Key Performance Indicators					
Book Value per Share (RM)	4.34	5.03	7.59	8.56	**9.66**
Earnings per Share (sen)	61.0	83.1	161.4	118.6	**142.7**
Net Dividend per Share (sen)	17.3	18.8	26.4	25.0	**36.0**
Financial Ratios (%)					
Profitability Ratios					
Return on Equity	14.7%	17.7%	25.6%	14.7%	**15.7%**
Return on average assets	0.7%	1.0%	1.3%	0.8%	**0.8%**
Cost/income ratio	42.9%	42.7%	36.6%	50.4%	**46.5%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	54.0%	56.6%	73.9%	74.3%	**79.1%**
Gross impaired loans ratio	2.2%	1.9%	2.3%	1.7%	**1.4%**

Restated with retrospective application of MFRS and changes in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 July 2011.

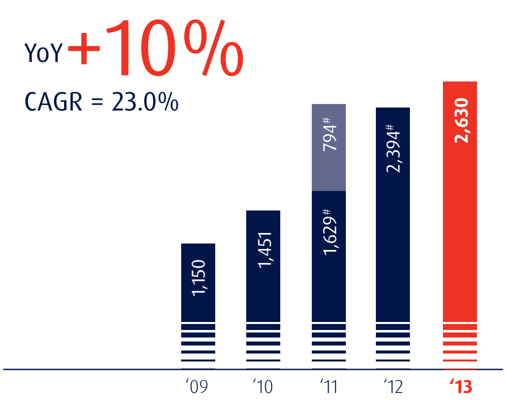
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS
(continued)

FIVE YEAR PERFORMANCE CHART (% GROWTH)

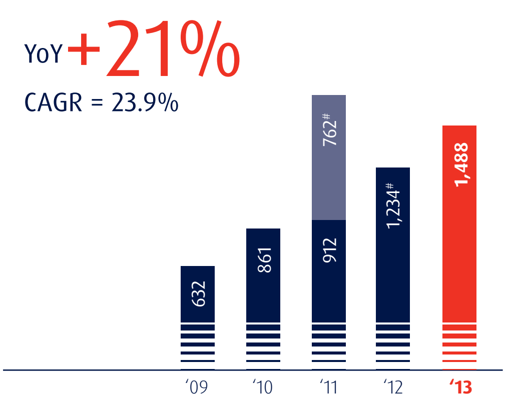
GROUP TOTAL ASSETS
(RM'Million)



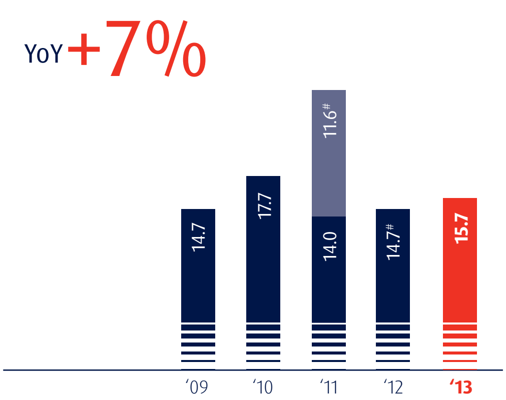
GROUP PROFIT BEFORE TAX
(RM'Million)



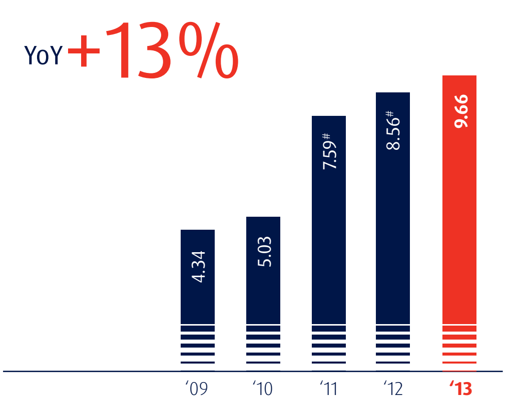
GROUP PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'Million)



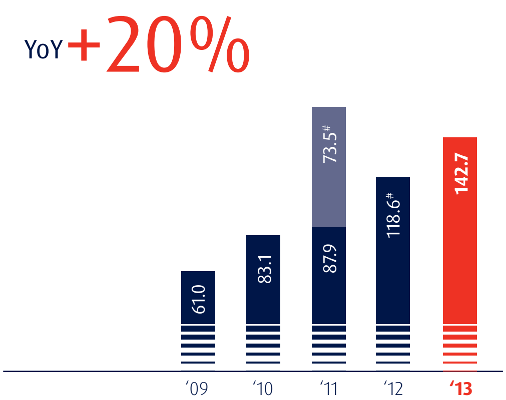
GROUP RETURN ON EQUITY
(%)



GROUP BOOK VALUE PER SHARE
(RM)



GROUP EARNINGS PER SHARE
(Sen)

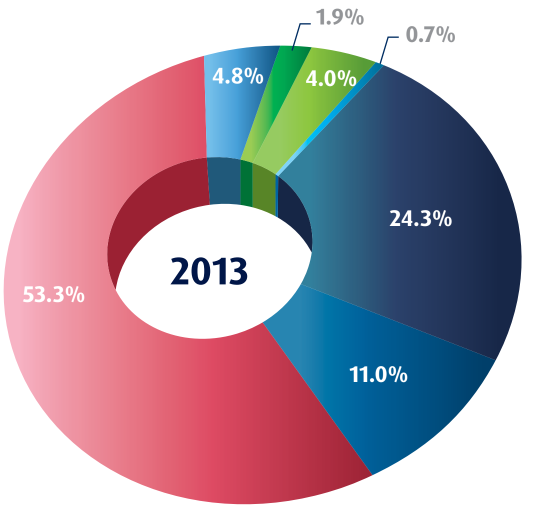


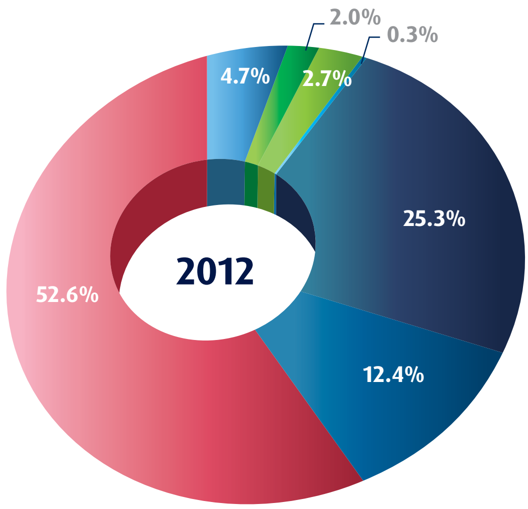
\# *Restated with retrospective application of MFRS and changes in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 July 2011.*

■ *Non-recurring/one-off items*

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

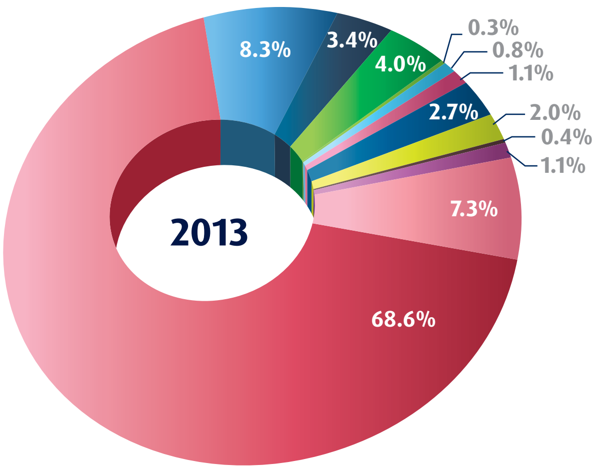
ASSETS

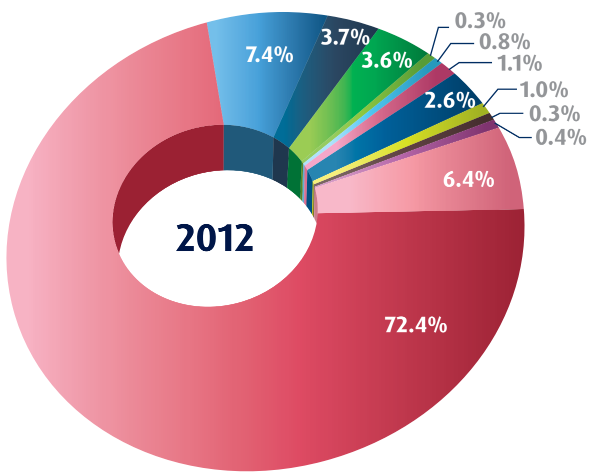




- Loans, advances and financing
- Cash and short-term funds
- Portfolio of securities
- Securities purchased under resale agreements
- Deposits and placements of banks and other FI
- Statutory deposits
- Other assets (including goodwill)

LIABILITIES & EQUITY

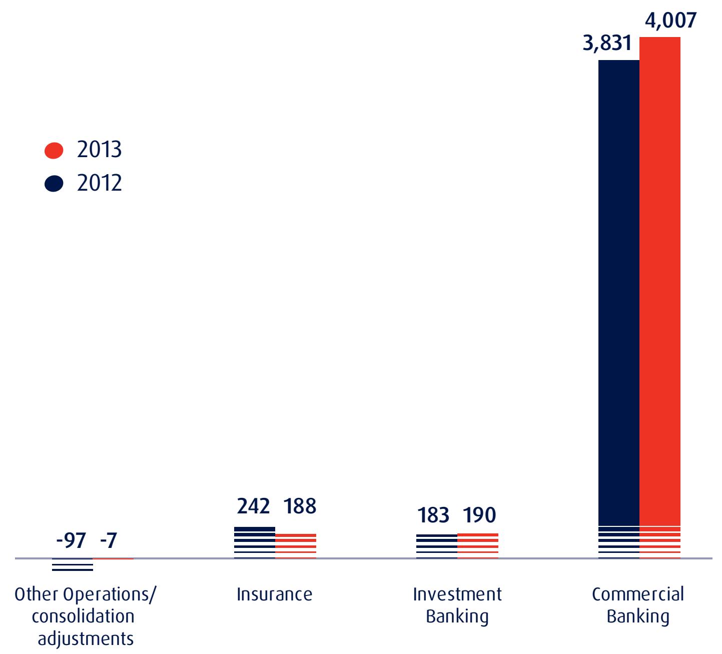




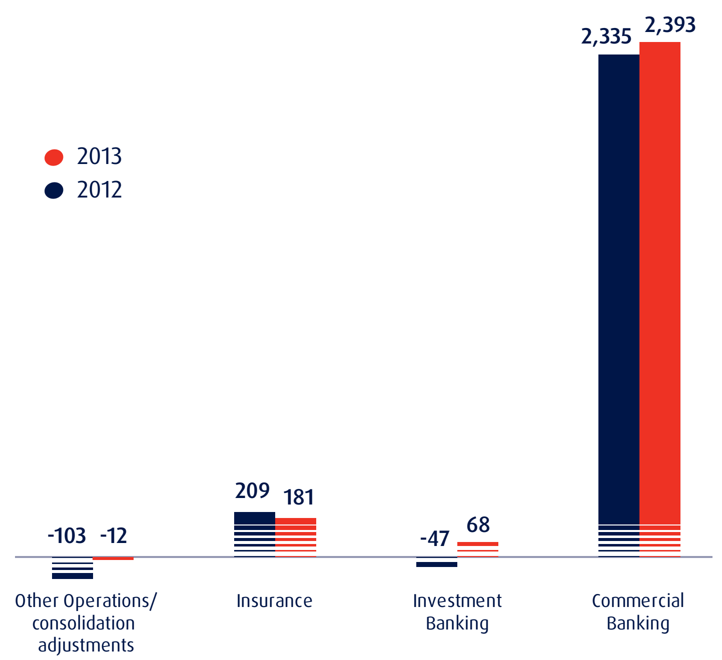
- Deposits from customers
- Deposits and placements of banks and other FI
- Obligations on securities solid under repurchase agreements
- Bills and acceptances payable
- Borrowings
- Subordinated obligations
- Senior bonds
- Non-innovative Tier 1 stapled securities
- Innovatives Tier 1 capital securities
- Insurance funds
- Other liabilities
- Total equity

SEGMENTAL INFORMATION

OPERATING REVENUE - By Business Segment (RM 'million)



PBT - By Business Segment (RM 'million)



HONG LEONG FINANCIAL GROUP SHARE PRICE

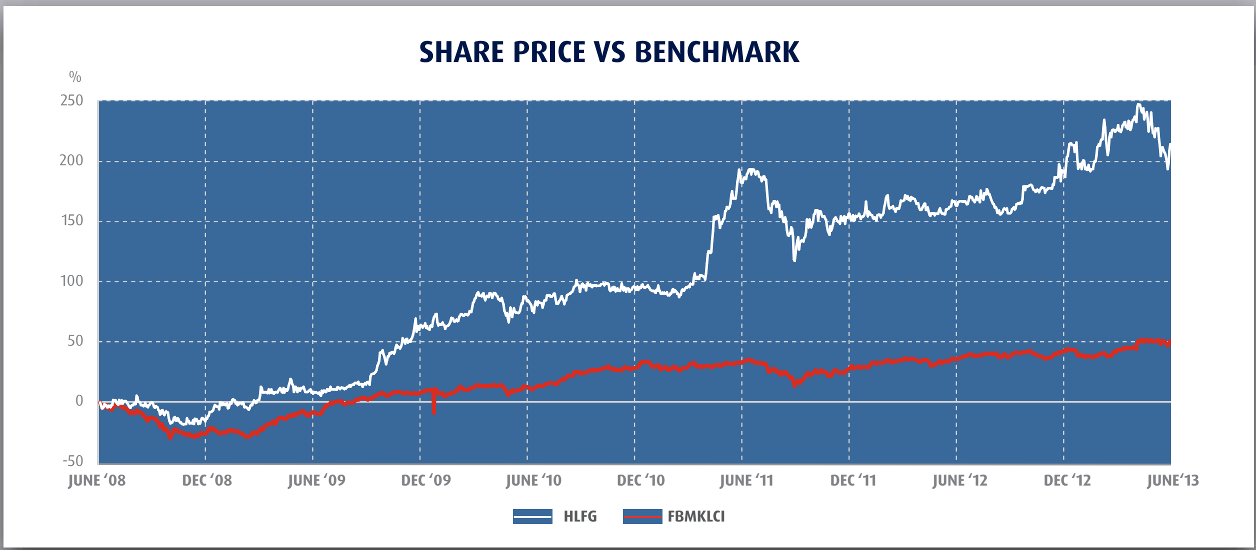
DIVIDEND PER SHARE	FY2013	36.0 sen
	FY2012	25.0 sen
	YoY	+ 44.0%

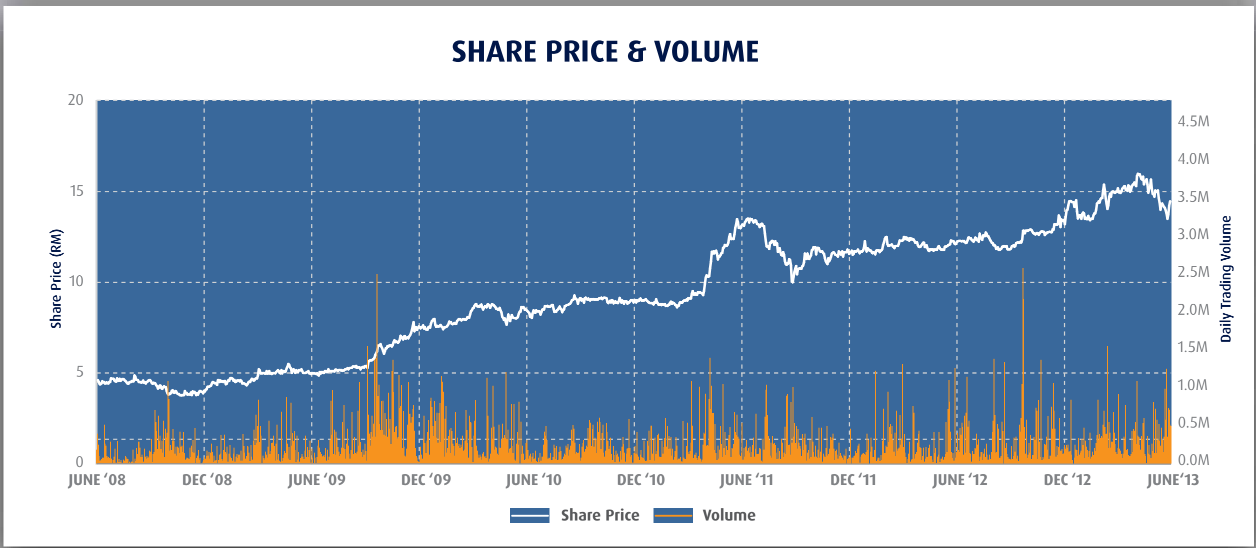
SHARE PRICE	FY2013	RM14.46
	FY2012	RM12.24
	YoY	+ 18.1%

MARKET CAPITALISATION	FY2013	RM15.2 bil
	FY2012	RM12.9 bil
	YoY	+ 17.8%

EARNING PER SHARE	FY2013	142.7 sen
	FY2012	118.6 sen
	YoY	+ 20.3%

TOTAL SHAREHOLDER RETURN	FY2013	15.7%
	FY2012	14.7%
	YoY	+ 6.8%





FINANCIAL CALENDAR

Annual General Meeting

29 October 2013
Tuesday
44th Annual General Meeting

DIVIDENDS

1st Interim Single-Tier Dividend of 13 sen per share

Notice	:	14 November 2012
Entitlement	:	3 December 2012
Payment	:	20 December 2012

2nd Interim Single-Tier Dividend of 23 sen per share

Notice	:	9 May 2013
Entitlement	:	13 June 2013
Payment	:	27 June 2013

ANNOUNCEMENT OF CONSOLIDATED RESULTS

2012

14 November
Wednesday
Unaudited results for 1st quarter ended 30 September 2012

2013

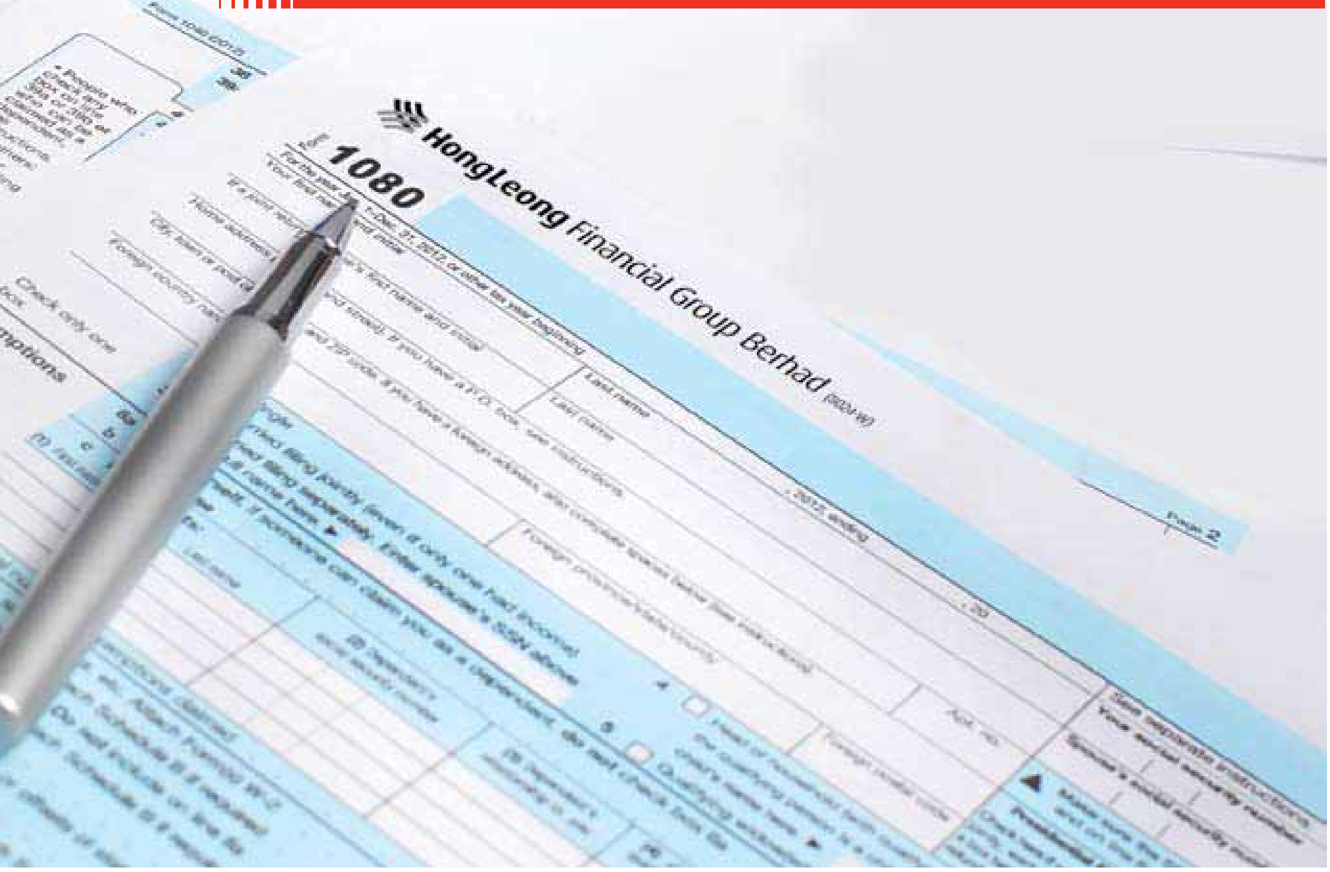
22 February
Friday
Unaudited results for 2nd quarter ended 31 December 2012

9 May
Thursday
Unaudited results for 3rd quarter ended 31 March 2013

29 August
Thursday
Unaudited results for 4th quarter and financial year ended 30 June 2013

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Financial Group Berhad ("HLFG" or "the Group") for the financial year ("FY") ended 30 June 2013 ("FY13").



CHAIRMAN'S STATEMENT
(continued)

PERFORMANCE REVIEW

I am pleased to report that we have achieved another record Group profit before taxation of RM2.63 billion in the current financial year, up 10% year-on-year ("yoy") from the previous financial year. This level of profitability has overtaken the previous high set in FY11 when we booked a one-off RM619 million gain from the sale of Hong Leong Assurance Berhad's ("HLA") general insurance business to MSIG Insurance (Malaysia) Bhd ("MSIG").

These profits were contributed by continued pretax profit growth at our commercial banking operations under Hong Leong Bank Berhad ("HLB") (+7.0% yoy to RM2.39 billion) as well as our investment banking operations under Hong Leong Capital Berhad ("HLCB") (+30.9% yoy to RM67.9 million). However, our insurance operations under HLA Holdings Sdn Bhd ("HLAH") registered a 11.9% decrease in profit before taxation to RM183.9 million, largely due to higher actuarial reserve provisions arising from lower interest rates.

Profit Attributable to Owners of the Parent ("PAOP") grew by 20.6% yoy to RM1.49 billion and in tandem with this, earnings per share grew by 20.3% yoy to 142.7 sen.

We continue to build our shareholders' equity. Group Shareholders' Equity grew by 13.2% yoy to RM10.08 billion as at 30 June 2013. Net assets per share rose from RM8.56 as at 30 June 2012 to RM9.66 as at 30 June 2013. Return on Equity ("ROE") increased from 14.7% in FY12 to 15.7% in FY13.

Banking

The Banking Division of the Group under HLB registered a profit before taxation of RM2,393 million for the financial year ended 30 June 2013 as compared to RM2,236 million in the previous year, reflecting growth of 7.0% yoy.

The main contributing factors to the growth were:

- Higher non-interest income, which grew by RM210.1 million yoy; and

- A higher share of the Bank of Chengdu Co., Ltd's ("BOCD") earnings, of which our 20% share grew by RM47.0 million to RM264.0 million, reflecting a continued stellar growth rate of 21.7% yoy.

Negating the above factors were:

- Lower net interest income, which fell by RM88.1 million yoy as interest margins narrowed.

- Higher allowances for impaired loans, which increased by RM56.2 million.

- Lower write-back of impairment losses, which decreased by RM42.6 million.

Gross loans grew by 7.3% yoy to RM97.2 billion. Despite the loan growth achieved, HLB's net interest income fell by RM88.1 million yoy, mainly due to margin compression.

This year, we witnessed the changing of the guard, with the retirement of HLB's Group Managing Director/Chief Executive Officer Datuk Yvonne Chia effective 30 June 2013. I would like to thank Datuk Yvonne Chia for her tenure of service and leadership in growing HLB to where it is today.

With the growing challenges facing the domestic and global banking sector, I believe that this is an opportune time to bring in new talent and I am delighted to welcome Mr Tan Kong Khoon on board as the new Group Managing Director/Chief Executive Officer effective 1 July 2013. Mr Tan Kong Khoon is a very experienced international banker with an excellent track record. I am confident that he will be able to lead the Bank to the next level as a modern, relevant and leading bank in Malaysia and the region.

I am pleased to note that Mr Tan Kong Khoon will inherit a bank with strong fundamentals and core competitive strengths. Net impaired loans ratio fell from 0.5% as at 30 June 2012 to 0.4% as at 30 June 2013. Customer deposits, which represent an understated source of strength for HLB, rose 0.4% yoy to RM124 billion as at 30 June 2013. HLB's loan/deposit ratio increased from 73.6% as at 30 June 2012 to 78.6% as at 30 June 2013, providing ample funding support for future loan growth. This also makes our balance sheet more efficient in channeling our deposits into higher yielding loans versus lower yielding money market instruments.

CHAIRMAN'S STATEMENT
(continued)

Insurance

Our Insurance Division, under wholly-owned HLAH, registered a profit before taxation of RM183.9 million in FY13, a decrease of 11.9% yoy as compared to the restated RM208.8 million recorded in the previous financial year. The main reason for the decrease was a RM30.3 million decrease in HLA's non-participating surplus. This was due to higher actuarial reserves as the computation of HLA's insurance liabilities increases in tandem with lower interest rates, which are used to discount future insurance liabilities.

The current financial year witnessed a change in accounting treatment for life insurance companies in relation to the reported profits as instituted by both the Malaysian Accounting Standards Board and changes in Bank Negara Malaysia's guidelines. Previously, HLA's Life Fund Surplus was recognized on a transfer basis. Today, the Non-Participating Fund surplus is recognized based on surplus arising, versus surplus transferred except for the Participating Fund where the profits to the company are still reported on a transfer basis. This was the main reason for HLAH's FY12 profit before taxation being restated from RM144.3 million to RM208.8 million.

Our full year share of 30%-owned general insurance company MSIG's profit after tax amounted to RM58.5 million in FY13, representing an increase of 12.5% yoy compared to the RM52.0 million recorded in the previous financial year. MSIG is currently the third largest general insurance company in Malaysia as measured by gross premiums.

The next financial year will also be a year of transition for our insurance operations, as we embark on the next steps in our strategic plan. We have laid the foundation by tripling our agency force in 5 years to over 9,900 agents as at 30 June 2013. In tandem with this, HLA's gross premiums touched the RM2 billion mark in FY13, growing 20.7% yoy to RM2.0 billion. After building up our distribution network to a level where we can compete effectively with industry leaders, we have started focusing on our product strategy, in particular the profitability levers. We will also attempt to further leverage on the largest distribution network in our Group, namely selling bancassurance through HLB. Here we will leverage on HLB's branch network of over 300 branches, distributing HLA's insurance policies through insurance specialists.

Within HLA's target segment of ordinary life insurance, HLA is now the No. 1 insurer amongst all local and foreign life insurers, as measured by new business annualised regular premiums. Within the overall regular premium segment, which composes of both ordinary life and investment-linked insurance, HLA is the largest domestic insurer as well the No. 4 insurer amongst all local and foreign life insurers, by the same metric.

Investment Banking

Our Investment Banking Division under HLCB recorded stellar growth in FY13, with pretax profit increasing by 30.9% yoy from RM51.9 million in FY12 to RM67.9 million. This was largely due to higher investment banking earnings at the enlarged investment bank, where pretax profit rose by 43.1% yoy on a proforma basis.

The business, assets and liabilities of the former Hong Leong Investment Bank Berhad ("HLIB") were vested to MIMB Investment Bank Berhad on 29 September 2012. The merged investment bank retained the name of HLIB. The merger has resulted in greater efficiency at the investment bank, with headcount and overhead expenses being reduced. Correspondingly, the enlarged HLIB's cost/income ratio has fallen by 16% yoy to 57.5% in FY13. Post merger, HLIB boasted a Common Equity Tier-1 capital ratio and Total Capital ratio of 30.1% and 30.4% respectively as at 30 June 2013, and this places us in good stead when the Basel III capital guidelines are fully implemented by the start of 2019.

Assets under management at Hong Leong Asset Management Bhd grew by 53% yoy to RM6.8 billion, and we continue to look for ways to add value to this competitive business.

HONG LEONG FINANCIAL GROUP – TOWARDS ACHIEVING OUR VISION

In summary, FY13 was a year where we consolidated the growth resulting from the various corporate activities undertaken in recent years. Our financial group is now a bigger and stronger entity, with scale to compete more effectively domestically and also better positioned for any future potential acquisitions. Although we have completed significant key milestones in integrating the ex-EON Bank businesses into HLB, we still have work to do to improve the merged cost base, transform our branch network, leverage on our bigger customer network and overall, to grow and remain relevant.

In our insurance division, we have made significant progress in growing the distribution network of our life insurance business and are pleased to see our associate general insurance company in Malaysia progress as well. We do not intend to stop here. The next phase will involve utilizing our enhanced distribution capabilities to distribute more profitable insurance products.

Our investment banking franchise continues to be recognised in the market, resulting in the successful execution of a number of notable corporate deals and exercises, with more in the pipeline, contributed by a small and niche business team.

CHAIRMAN'S STATEMENT
(continued)

In short, we have taken concrete steps to consolidate our market position, and further move HLFG towards being a bigger, stronger and more profitable financial services group.

PROSPECTS

The financial year ahead is expected to continue to be challenging due to increased competition from existing and new competitors, amidst an uneven global economic outlook. Notwithstanding this, the Board believes that the Group is well positioned to take advantage of opportunities to enhance our competitive position, and to grow and increase our market share in our targeted customer segments. With a solid Group vision, strong work ethics, strict financial discipline and an entrepreneurial spirit, we are confident of further strengthening our position as a leading integrated financial services group.

DIVIDENDS

The Board of Directors, during the financial year under review had declared and paid a total net dividend per share ("DPS") of 36.0 sen, a full 44% higher than the 25.0 sen net DPS paid last year.

This comprised:

- 1st interim single-tier dividend of 13.0 sen per share paid on 20 December 2012 (FY12: 10.0 sen single-tier).
- 2nd interim single-tier dividend of 23.0 sen per share paid on 27 June 2013 (FY12: 15.0 sen single-tier).

As with last year, the Board has decided not to recommend a final dividend for the financial year ended 30 June 2013.

APPRECIATION

I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, management and staff of HLFG Group for their dedication and commitment. My sincere appreciation also goes out to our regulators, shareholders, customers and business partners.

QUEK LENG CHAN

Chairman
20 September 2013

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to present the President & CEO's report for the financial year ("FY") ended 30 June 2013. In this report, I would like to provide an update on where we are today and our plans for the future.

SIGNIFICANT MILESTONES

MID-2008

HLB: 1st Malaysian bank to enter the Chinese market with a 20% equity interest in the Bank of Chengdu Co., Ltd.

JAN-2009

Established HLIB and hence completed the full suite of financial services licenses in the Group; subsequently brought in an experienced investment banking team.

OCT-2009

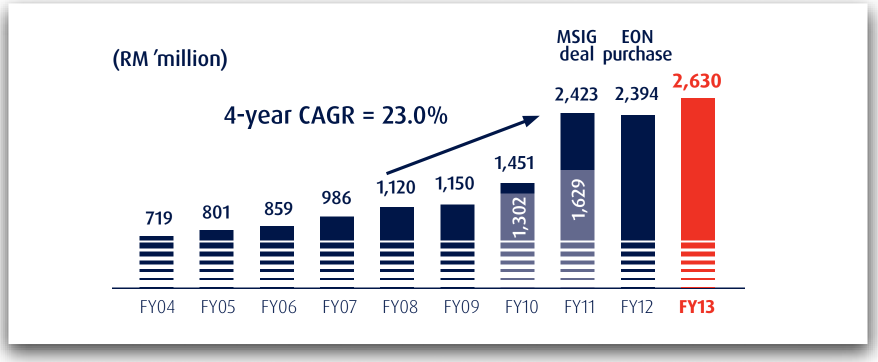
HLB: 1st Malaysian and South East Asian Bank to be granted a license to incorporate and operate a 100%-owned commercial bank in Vietnam.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW
(continued)

FINANCIAL REVIEW – RECORD PRETAX PROFIT

At the Group level, Hong Leong Financial Group Berhad ("HLFG" or "the Group") registered a 10% increase in profit before taxation to a record RM2.63 billion for the financial year ended 30 June 2013 due to higher commercial banking and investment banking contributions. As the graph shows, we have made good progress in the last few years, growing our pretax profit by 2.35x in the last five years. This translates to a five-year compounded annual growth rate ("CAGR") of 18.6%

HLFG Pretax Profit – Another Record



■ Denotes normalised/recurring value

Profit after taxation grew by 16.8% year-on-year ("yoy") to RM2.16 billion whilst profit attributable to owners of the parent ("PAOP") grew by 20.6% yoy to RM1.49 billion. Correspondingly, our return on average equity ("ROE") increased from 14.7% in FY12 to 15.7% in FY13 and is comparable with industry leaders.

Earnings per share improved by 20.3% yoy to 142.7 sen from 118.6 sen in the previous financial year. Our main operating business division, Hong Leong Bank Berhad ("HLB"), has been able to increase its dividend payout significantly in recent years. At the company level, due to the improved cash flows, HLFG had also increased its net dividend per share ("DPS") by 44% yoy to a record 36.0 sen.

OCT-2010

MSIG deal valued at RM4bn. Unlocked RM1.1bn in value in a strategic partnership in both Life and Non-Life conventional insurance with the leading Non-Life Japanese insurer, and in April 2011, completed partnership in takaful via Hong Leong MSIG Takaful Berhad.

MAY-2011

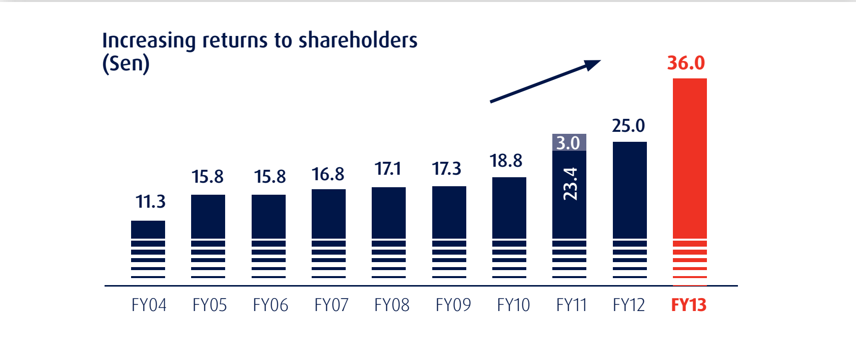
Acquired EON Bank to propel HLB from 6th to the 4th largest domestic bank by assets, with the 2nd largest branch network in Malaysia.

FEB-2013

Hong Leong Bank (Cambodia) PLC was incorporated on 18 February and its principal activity is to carry out commercial banking business.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW
(continued)

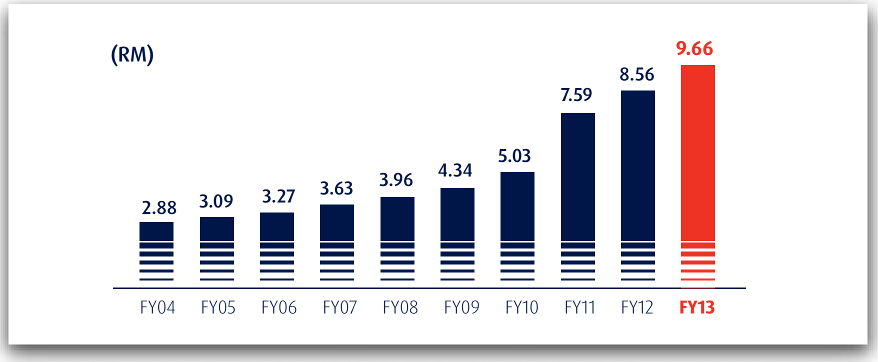
HLFG Net Dividend Per Share – Increasing Returns To Shareholders



■ Denotes special dividend

Book value per share increased by 12.9% yoy, from RM8.56 in FY12 to RM9.66 as at 30 June 2013. Due to the strong value creation over the last few years, our book value per share has grown by 2.44x over the last five years, which represents an impressive CAGR of 19.5%.

HLFG Book Value Per Share – Significant Value Creation



BUSINESS AND OPERATIONAL REVIEW

I am pleased to report that we continue to make good progress in terms of growing our core businesses under the Group.

For the financial year just ended, the highlights of our achievements are detailed below.

BANKING – CONSOLIDATING LAST YEAR'S IMPRESSIVE GROWTH

- FY13 was the second full year of integration for the enlarged HLB. Our merger integration efforts have started to bear fruit, resulting in HLB's cost/income ratio improving by a full 3.5% from 49.6% in FY12 to 46.1% in FY13.

- We have made good progress in our target business segments. Within the consumer banking segment, HLB has a 9.6% market share of mortgage loans, 11.3% share of auto loans, 12.5% share of credit card receivables as well as a 4.8% share of personal loans. HLB has also a 8.0% market share of loans to small and medium enterprises and a 14.4% share of trade loans.

- We continue to have a balanced mix in terms of earnings contribution. Personal Financial Services ("PFS") contributed 48% to HLB's pretax profit whilst Business & Corporate Banking ("BCB") contributed 26%. The remainder was contributed by Global Markets (15%) whilst HLB's international operations now account for 13% of bank-wide pretax profit.

- We continue to practice a strong and disciplined credit culture within the enlarged bank. HLB's gross impaired loans ratio improved further from 1.69% as at 30 June 2012 to 1.40% as at 30 June 2013, 0.53% below the industry average of 1.93%. Loan loss coverage stands at 131%, a full 30% above the industry average of 101%, and amongst the highest in the banking system.

- Current account and savings account ("CASA") deposits grew by 8.5% yoy in FY13, further improving our CASA mix to 25.9% of bank-wide customer deposits in FY13.

- Along with the successful integration efforts, shareholder value creation remained intact. HLB's return on equity stood at 15.0% in FY13, despite the higher shareholders' funds base after completing the one-for-five rights issue in October 2011.

- HLB has increased its returns to shareholders. Following recent impressive earnings growth, HLB has significantly increased its DPS and dividend payout ratio in the last two financial years. Gross DPS has increased from 24 sen in FY11 to 38 sen in FY12 and 45 sen in FY13, translating to growth of 87.5% in the last two financial years. Correspondingly, HLB's dividend payout ratio has increased from 23.7% in FY11 to 32.7% in FY13. The increased cash flow received has in turn allowed HLFG to increase its DPS in the last two financial years.

- Hong Leong Islamic Bank Berhad's ("HLISB") net profit grew by 62% yoy on a proforma basis to RM227 million, driven by higher gains from business and treasury operations. HLISB has refined its business model with a focus on transactional banking products and solutions, besides the traditional retail and wholesale banking products.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW
(continued)

- Profit contribution from international operations accounted for 13.2% of HLB's pretax profit in FY13, growing by 11.1% yoy.

- Profit contribution from the Bank of Chengdu Co., Ltd ("BOCD") grew by 21.7% yoy in FY13 to RM264 million. BOCD now commands the sixth largest loan book market share in its home base of Chengdu and is No. 5 in terms of customer deposits. BOCD has 144 outlets and has ventured outside its home base of Chengdu with 19 outlets in Chongqing, Xi'an and four other cities in the Sichuan province.

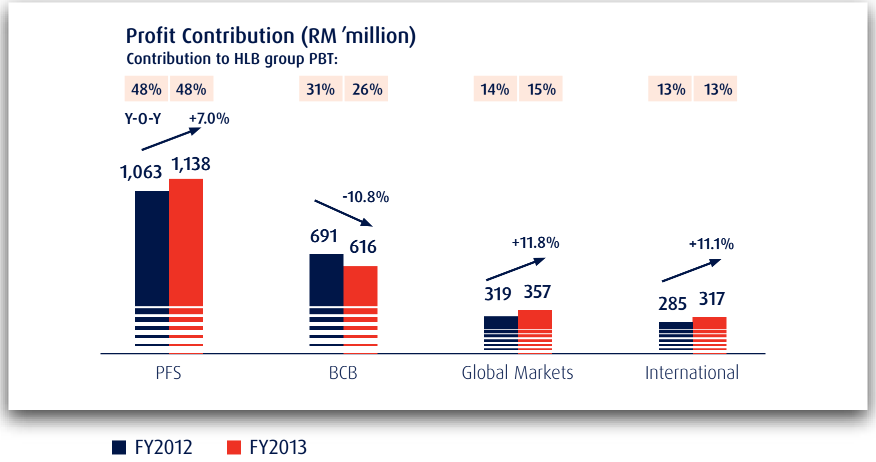
- BOCD's gross loans grew by 17.2% yoy in its financial year ended 31 December 2012 and is now approaching the RMB100 billion mark. Gross non-performing loans ratio remained benign at 0.6% and loan loss coverage stands at 417%. Return on equity is commendable at 21.4%. Loan/deposit ratio stood at 57.6% as at 31 December 2012 implying that there remains ample room to grow its loan book. BOCD remains well capitalised with a total capital ratio of 14.5%.

- Further regional inter-linkages. HLB's 100%-owned subsidiary Hong Leong Bank (Cambodia) PLC ("HLBCAM") was granted a license to carry out full commercial banking operations and commenced operations on 8 July 2013. HLBCAM will offer a full range of personal financial services and business banking products and will complement HLB's existing regional network in Singapore, Hong Kong, Vietnam and China.

- HLB continues to expand its 'Mach by Hong Leong Bank' sub-brand outside the Klang Valley, with a total of seven branches having been opened under this sub-brand. Mach is a sub-brand which aims to cater to the needs of the younger or 'Generation Y' consumers.

- During the year, we have refreshed the Hong Leong Bank brand and this is being progressively rolled out in our operating businesses and branches. We continue to strive to enhance our brand equity while at the same time ensuring that the needs of our target customers are satisfied.

HLB Segmental Profit Contribution

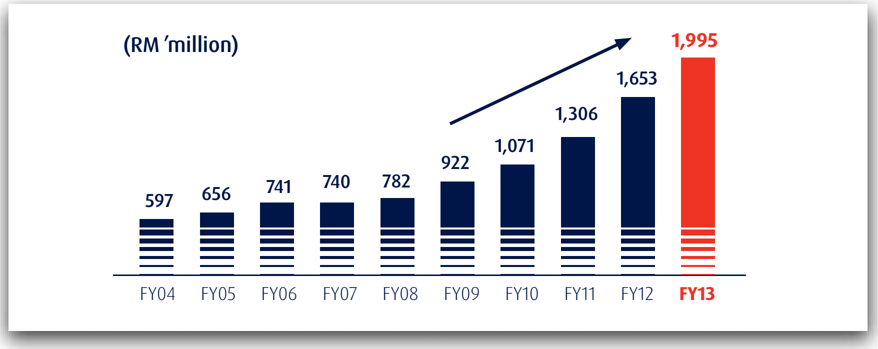


INSURANCE – UNDERLYING BUSINESS PROGRESS

- Despite a flat headline performance in FY13 (insurance pretax profit fell from RM208.8 million in FY12 to RM183.9 million in FY13), the underlying business performance and embedded value of our life insurance business under Hong Leong Assurance Berhad ("HLA") continues to show improvement.

- Our value creation was largely due to our enhanced distribution capabilities where we have tripled our in-force agency force in the last five years and had correspondingly doubled our gross premiums in the same time frame. HLA's gross premiums increased by 20.7% yoy to RM2 billion in FY13.

HLA Gross Life Premiums – Hitting the RM2 billion Mark



- HLA has one of the fastest growing agency forces in the industry, with over 9,900 in-force agents as at 30 June 2013. We have grown our agency force at a compounded annual growth rate of 25.5% over the last five years, significantly outperforming industry growth. HLA now has the fourth largest agency force within the industry, and is able to compete with the market leaders in terms of distribution.

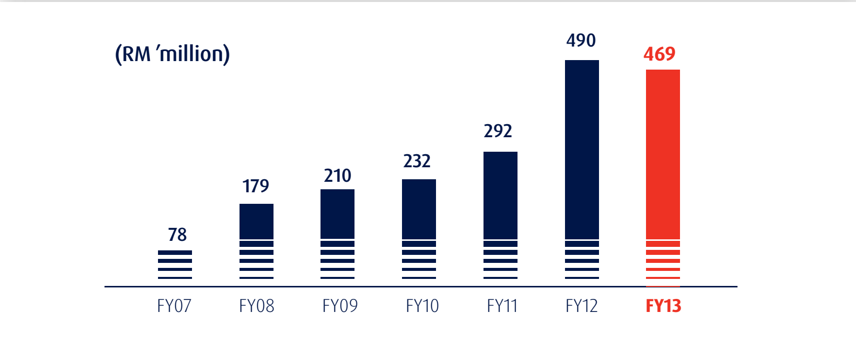
- HLA is the largest domestic life insurer as well as a top 4 insurer among all life insurance companies, within the regular premium segment (ordinary life + investment-linked). Within the ordinary life segment, HLA is the largest life insurer in Malaysia, with a 21.9% market share of new business regular premiums.

- The value of HLA's business has already increased with the significant amount of new business written in the last few years. New business regular premiums have increased by over 2.6x in the last five years to RM469 million in FY13.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW
(continued)

- The significant premium growth in the last few years has created economies of scale. HLA now has a management expense ratio of 5.8% in FY13, the lowest within the industry.

HLA New Business Regular Premiums



- Within the general insurance segment, we hold a 30% equity interest in MSIG Insurance (Malaysia) Bhd ("MSIG"), a top 3 general insurer by gross premiums. More importantly, MSIG is one of the leading general insurance companies in Malaysia in terms of profitability. MSIG contributed RM58.5 million to HLFG's profit after taxation in FY13, up 12.5% yoy.

- HLA Holdings Sdn Bhd's 100%-owned subsidiary HL Assurance Pte. Ltd. obtained a general insurance license in Singapore effective 11 June 2013.

- HLA had on 7 February 2013 completed its RM500 million subordinated notes issuance. The subordinated notes are classified as tier-2 capital under the risk-based capital framework for insurers. This ensures that HLA remains well capitalized in anticipation of the implementation of Solvency 2 in Malaysia.

INVESTMENT BANKING – INCREASING OUR MARKET PRESENCE

- FY13 was an excellent year for Hong Leong Capital Berhad ("HLCB"), with pretax profit rising 30.9% yoy to RM67.9 million, with growth coming mainly from the Investment Banking Division.

- HLCB has been transformed from a pure stockbroking/asset management outfit to a more diversified investment banking group. The Investment Banking Division contributed the lion's share to HLCB's Group pretax profit at 86%, up from the 73% contribution in the previous financial year. This makes HLCB's earnings less cyclical, as compared to the volatile stockbroking business.

HLCB SEGMENTAL PROFIT CONTRIBUTION

HLC Group RMm	FY12	% contribution	yoy (%)	FY13	% contribution	yoy (%)
Investment banking	37.8	73	28	58.5	86	55
Stockbroking	16.1	31	(4)	14.5	21	(10)
Asset management	1.9	4	(67)	1.5	2	(21)
Others	(3.8)	(7)	190	(6.6)	(10)	73
Pretax Profit	**51.9**	**100**	**3**	**67.9**	**100**	**31**

* FY12 includes MIMB from 1 June 2012.

- HLCB acquired MIMB Investment Bank Berhad ("MIMB") from HLB on 1 June 2012. The merger of Hong Leong Investment Bank Berhad ("HLIB") and MIMB was completed on 29 September 2012, with the enlarged investment bank retaining the HLIB name and branding.

- We continued to entrench HLIB's brand and presence in the upper echelon of the league tables, awards and first-to-market initiatives.

- We are pleased to report that HLIB was given the award as the Best Investment Bank in Malaysia 2013 by *World Finance*.

- Notable mentions and achievements by HLIB during the year include:

  - o Bond Pricing Agency: Top Lead Arranger (Conventional and Islamic PDS) - No. 5 by Issue Size in 2012.
  - o Rating Agency Malaysia ("RAM"): Top League Manager - No. 3 by Number of Issues in 2012.
  - o Alpha Southeast Asia Deals & Solutions Award – Best REIT Deal of Southeast Asia ("SEA") 2012, for IGB REIT.
  - o Alpha Southeast Asia Deals & Solutions Award – Most Innovative Deal in SEA 2012, for IGB REIT.
  - o RAM Award of Distinction 2012 – 1st bond by an insurance company.
  - o Brought the first two Special Purpose Acquisition Companies ("SPAC") to the market (Hibiscus and CLIQ Energy).
  - o 1st Tier-2 capital instrument issued by an insurance company.
  - o 1st Islamic convertible bond approved by the Securities Commission.
  - o 1st perpetual security issued by a non-Government-Linked Company corporate.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW
(continued)

LOOKING AHEAD – FOCUS AND SUSTAINABLE EARNINGS

Despite a weak global economic environment and strong competitive challenges, for the next financial year we will continue to grow our core businesses of Commercial Banking, Islamic Financial Services, Insurance, Investment Banking and Asset Management. We will also look for suitable acquisition opportunities to complement our now enlarged financial services group. HLB will focus on completing the tail end of its merger integration whilst concentrating on re-energising its growth momentum. Having built up a sizeable agency distribution force, HLA will focus on its product strategy whilst at the same time placing more emphasis on growing its bancassurance distribution channel. Our investment banking division will continue to expand our market presence and positioning, as well as create more innovative products and solutions.

OTHER DEVELOPMENTS

We had earlier elaborated on most of the key developments that transpired in the Group during the financial year.

In addition to these, on 14 January 2013, HLFG served a Notice of Conditional Voluntary Take-Over Offer ("Offer") on the Board of HLCB at an offer price of RM1.71 per share, paid in cash. The rationale for the Offer was to streamline HLFG's corporate structure. The Offer closed on 25 February 2013. Pursuant to acceptance of the Offer amounting to 5,541,831 shares, HLFG's equity interest in HLCB has increased from 79.09% to 81.33% currently (without deducting the ESOS Trust shares from the share base).

HLFG Principal Investments (L) Limited ("HLFGPI"), a wholly-owned subsidiary of HLFG, had on 28 June 2013 entered into a joint venture agreement with CIMB Strategic Assets Sdn Bhd ("CIMBSA"), a wholly owned subsidiary of CIMB Group Holdings Berhad, to establish a joint venture investment holding company to be incorporated in Labuan ("Joint Venture Entity"), in which CIMBSA and HLFGPI will each hold 50% of the equity interest respectively.

The Joint Venture Entity is called Bangsar Capital Holdings (L) Limited and it will seek to establish and manage a private equity fund. The joint venture aims to leverage on the combined extensive networks, deep understanding of the region and strong business-building track record of the Hong Leong and CIMB groups.

RATING

We are pleased to announce that Malaysian Rating Corporation Berhad ("MARC") in August 2013 affirmed the short-term and long-term credit ratings of HLFG's Commercial Paper/Medium Term Notes Programme at AA/MARC-1. The rating outlook is stable. HLFG holds the third highest credit rating within MARC's rating scale.

APPRECIATION

Last but not least, I would like to take this opportunity to express my gratitude to the Board of Directors for their support and guidance, and the management, colleagues and staff throughout the HLFG Group for their dedication and commitment.

My sincere appreciation also goes out to the regulators, shareholders, customers and business partners as well as to the community we serve for their continued faith and confidence in Hong Leong Financial Group.

RAYMOND CHOONG

President & CEO
20 September 2013

CORPORATE SOCIAL RESPONSIBILITY

At Hong Leong Group (HLG), we believe that serving our communities is not only integral to running a business successfully; it is also part of our individual responsibilities as citizens of the world. We continue to support communities in ways that enhance the company's reputation with employees, customers, business partners and other stakeholders.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

Guided by our company value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship. The Group aims to ensure the health and safety of our employees and all who are affected by our business operations. We are also committed to protecting the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

As the leading conglomerate and economic powerhouse in Malaysia, Hong Leong Group sees CSR beyond its core mission. The Group contributes significantly to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practicing sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Hong Leong Group CSR:

WORKPLACE

HLG is committed to upholding the human rights of our employees and to treating them with dignity and respect. To maintain our market leadership in delivering innovative solutions ahead of the competitors, HLG consistently strives to create an inspiring and effective working environment.

HLG also aims to ensure that the health, safety, and welfare of our employees are well taken care of all the time. To honour this, we will always fully accept our responsibility towards employees who may be affected by our activities.

The group identifies and hires local talent through our Graduate Development Programme – a programme in which we hire local fresh graduates to undergo a training programme for 2 years. This programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

Since its founding, HLG has demonstrated an on-going commitment to people and to fair employment practices. As HLG has grown and expanded throughout the region, its work force has become more diverse. HLG believes that this diverse work force helps the organisation realises its full potential. We benefit from the creativity and innovation that result from our people who have different experiences, perspectives and cultures working together.

This is what drives innovation and high performance at HLG as proven in its track record as well as numerous awards and accolades that the Group receives over the years. We believe that a well-managed, diverse work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world, and connecting them to the power of technology. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination, one where employees are treated with dignity, honour and respect. We also comply with all applicable international and local laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients. All job applicants, employees, members, and clients receive equal treatment regardless of race, religion, ethnic or national origins, sex, marital status, sexual orientation, disability or age.

ENVIRONMENT

The importance of the relationships between HLG's technology, our customers and their markets is reflected in our approach to the environment. HLG endeavours to identify and minimise the negative environmental impacts of our products and business activities, right from the top to downstream.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

Our objective is to achieve high standards in environmental management and preservation, by examining our business and operations, and taking active steps to reduce environmental impact wherever possible. These include:

- minimising any adverse impact our activities may have on the environment
- minimising the consumption of resources wherever possible
- putting into consideration the environment when procuring goods and services
- promoting waste reduction, re-use and recovery
- fully complying with legislation and wherever possible exceed legislative requirements

We are passionate about the environment and committed to reducing the carbon footprint of our growing global business. We promote a culture of environmental awareness and engagement amongst our staff and our supply base.

Our environmental initiatives include smart and careful consumption of resources, use of water, emissions to air, waste generation, energy use, and procurement processes. We are passionately committed to minimising our environmental impact and encouraging greater sustainability throughout our business.

Our commitment to the environment has guided us to continually strive to reduce our already minimised waste in all our manufacturing plants in Malaysia and elsewhere in the world, and offer more environmentally friendly and sustainable operations. Guided by our environmental principles, we consider the environment throughout all aspects of our business, from our supply chain, to delivery.

MARKETPLACE

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Financial reports which contain disclosures that are timely, true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services, in a global market that is increasingly becoming more aggressive and competitive.

HLG has a firm commitment to the highest standards of business ethics and integrity throughout our company. These standards are reflected in our associated policies, and wherever these polices require a higher standard than local practice or applicable laws, we adhere to the higher standards set in the HLG policies.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

COMMUNITY

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of Hong Leong Group.

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Group. It is funded by contributions from Hong Leong Group Malaysia's (the "Group") companies and is thus effectively its charitable arm through which most of the Group's philanthropic activities are conducted. It has an annual budget of RM5 million and has the following programmes in place to address its primary concern – poverty in Malaysia:

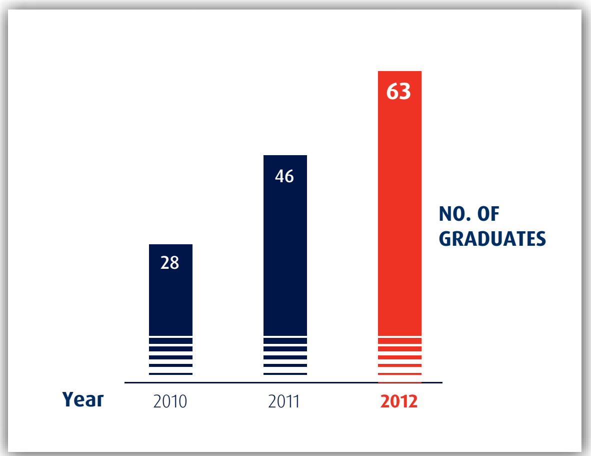
- Addressing Basic Needs – donations to provide adequate food and clean water, shelter, and clothing
- Towards Self Sufficiency:
    - Tertiary Scholarship Programme
    - After School Care Programme
- Building Infrastructure:
    - School Building Fund
    - Community Building Fund

The total funds disbursed in FY2012/13 were RM4.1 million benefiting 20 charity organisations. During the year, the Foundation awarded RM3.5 million in scholarships to benefit 67 high performing school leavers, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

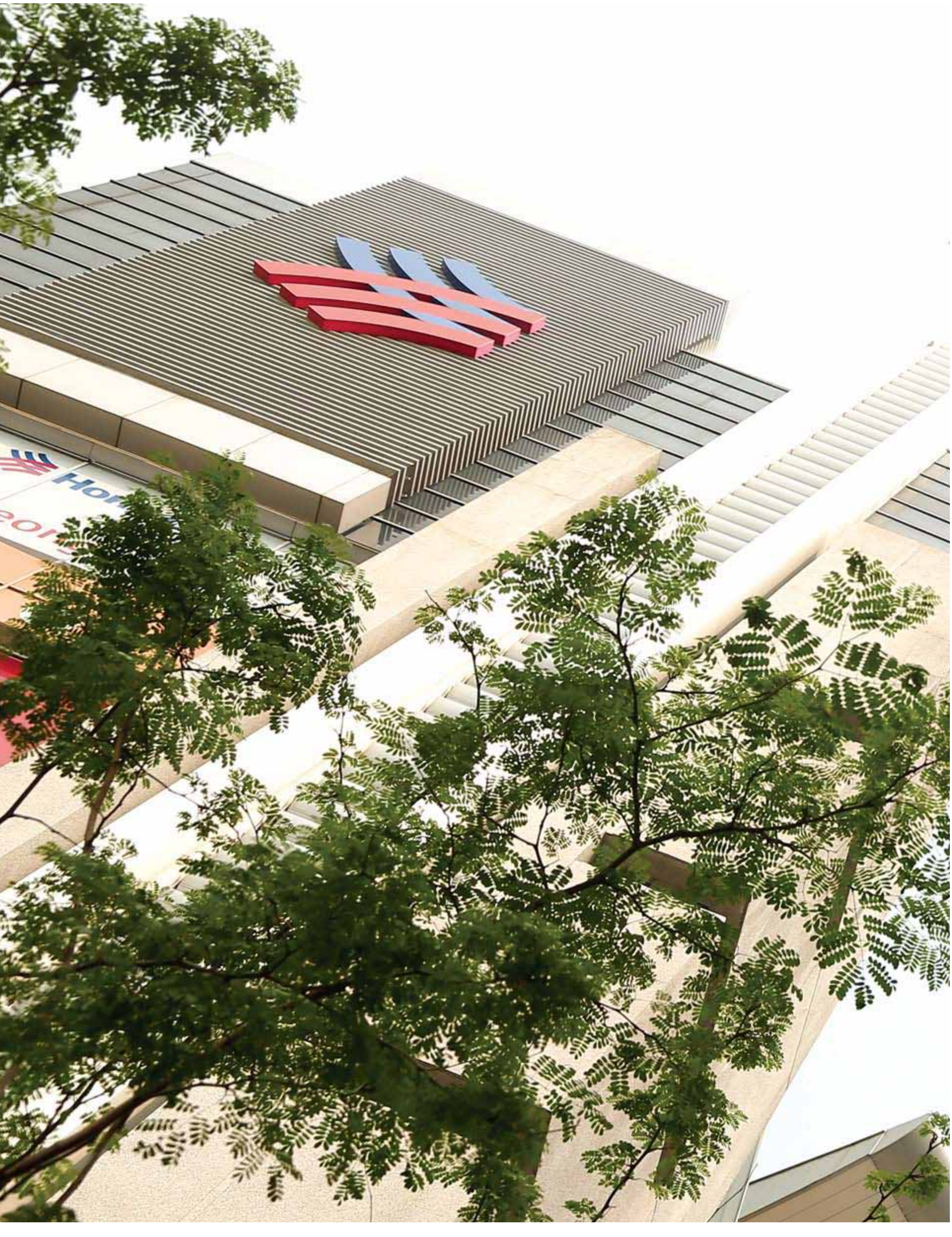
Since 1993, the Hong Leong Foundation has awarded more than RM22.6 million in scholarships to 1,126 scholars via its scholarship programmes for diplomas, degrees or vocational training.

Education Level	Hong Leong Foundation Scholarship		Hong Leong Group Scholarship Award	
	Scholarship Value	Number of Awards	Scholarship Value	Number of Awards
Undergraduate (3+0 Twinning Programme)	Up to RM24,000	13	Up to RM12,000 (including overseas courses)	4
Undergraduate (Local University)	RM8,500	49	RM7,000	9
Diploma (Local College/Institute)	RM6,000	5	RM4,000	7
Pre-University	Not Available	Not Available	RM1,500	9

HLF Scholarship Graduates by Year:



CORPORATE INFORMATION



CORPORATE INFORMATION
(continued)

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

Mr Choong Yee How
(President & Chief Executive Officer)

Mr Quek Kon Sean
(Executive Director)

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

Ms Lim Tau Kien

Ms Lim Lean See

Mr Saw Kok Wei

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

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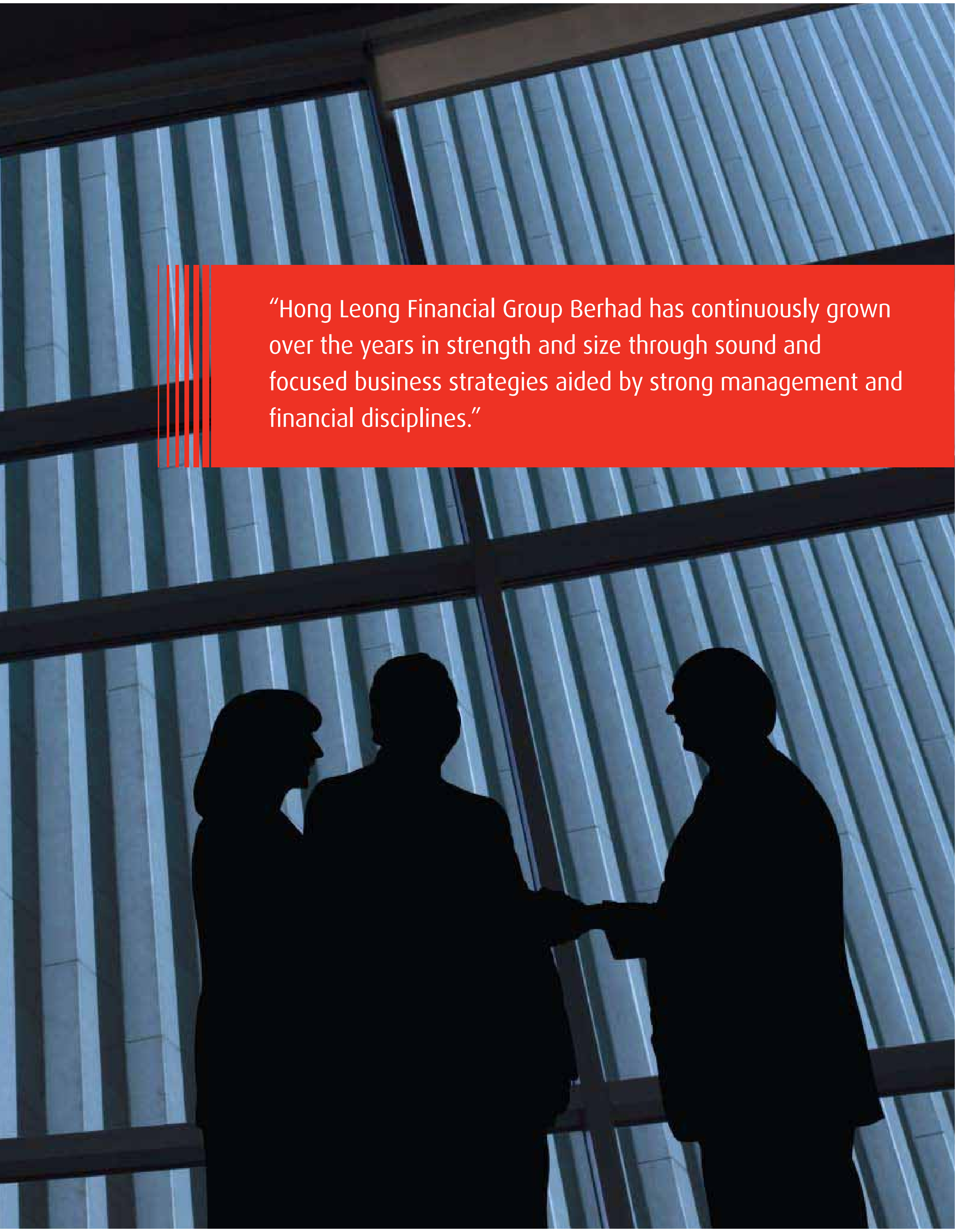
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

WEBSITE

www.hlfg.com.my

BOARD OF DIRECTORS' PROFILE



"Hong Leong Financial Group Berhad has continuously grown over the years in strength and size through sound and focused business strategies aided by strong management and financial disciplines."

BOARD OF DIRECTORS' PROFILE
(continued)

YBHG TAN SRI QUEK LENG CHAN
Chairman/Non-Executive/ Non-Independent

Aged 70, YBhg Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Financial Group Berhad ("HLFG") and was appointed to the Board of Directors ("Board") of HLFG on 6 September 1968. He is a member of the Remuneration Committee ("RC") and Nominating Committee ("NC") of HLFG.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Executive Chairman of GuocoLand (Malaysia) Berhad; Chairman of Hong Leong Bank Berhad ("HLB") and Hong Leong Capital Berhad ("HLCB"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA"), Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong Foundation; and a member of the Board of Trustees of the Community Chest, all public companies.

MR CHOONG YEE HOW
President & Chief Executive Officer/ Non-Independent

Aged 57, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

Mr Choong was appointed to the Board of HLFG on 1 December 2005.

Mr Choong is also a Director of HLB and HLCB, both companies listed on the Main Market of Bursa Securities and HLA, HLISB, Hong Leong MSIG Takaful Berhad and Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB"), all public companies.

BOARD OF DIRECTORS' PROFILE
(continued)

MR QUEK KON SEAN
Executive Director/ Non-Independent

Aged 33, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science and Master of Science degree in Economics from the London School of Economics and Political Science. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFG. Prior to joining HLFG, Mr Quek was a Management Executive of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLFG on 1 December 2005.

Mr Quek is also a Director of HLB and HLCB, both companies listed on the Main Market of Bursa Securities and HLA, a public company.

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Non-Executive Director/ Independent

Aged 77, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He was the Chairman of the Advocates and Solicitors Disciplinary Board from 2005 to 2013. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

YBhg Tan Sri Khalid was appointed to the Board of HLFG on 1 July 1982. YBhg Tan Sri Khalid is also the Chairman of the Board Audit and Risk Management Committee ("BARMC"), RC and NC of HLFG.

YBhg Tan Sri Khalid is also a Director of HLCB, a company listed on the Main Market of Bursa Securities, and HLIB, a public company.

MS LIM TAU KIEN
Non-Executive Director/ Independent

Aged 57, Ms Lim Tau Kien, a Malaysian, graduated with a Bachelor of Accountancy from the University of Glasgow Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland.

Ms Lim forged her early career with Ernst & Young, United Kingdom, before joining the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently moved to Shell where she held various senior financial positions over a period of 25 years, her last position being the Country Chief Financial Officer/Finance Director of Shell China.

Ms Lim was appointed to the Board of HLFG on 8 April 2010 and is a member of the BARMC and NC of HLFG.

Ms Lim is also a Director of Malaysian Pacific Industries Berhad, a company listed on the Main Market of Bursa Securities, and UEM Group Berhad, a public company.

BOARD OF DIRECTORS' PROFILE
(continued)

MS LIM LEAN SEE
Non-Executive Director/ Independent

Aged 60, Ms Lim Lean See, a Malaysian, holds an Associateship in Accounting and an Associateship in Secretarial and Administrative Practice both from the Curtin University, Australia. Her professional qualifications include being a Fellow of the Australian Society of Certified Practicing Accountants, Registered Accountant with the Malaysian Institute of Accountants, a Trade Member of Financial Planning Association of Malaysia and a member of the Institut Bank-Bank Malaysia.

Ms Lim has 33 years experience in the banking industry and has held various senior positions including the Head of Corporate Banking and Head of Business Banking Division, the last being the Chief Representative of a foreign bank Representative Office with the corporate rank of an Executive Director.

Ms Lim was appointed to the Board of HLFG on 22 August 2011 and she is a member of the NC and RC of HLFG.

Ms Lim is also a Director of HLB, a company listed on the Main Market of Bursa Securities.

MR SAW KOK WEI
Non-Executive Director/ Independent

Aged 50, Mr Saw Kok Wei, a Malaysian, holds a B.Sc (Hons) in Accounting and Finance degree from the University of Warwick, United Kingdom. Mr Saw is currently the Chief Financial Officer of Jurong Port Pte Ltd, a leading international multi-purpose port operator headquartered in Singapore. Prior to joining Jurong Port Pte Ltd, he was with Electrolux Major Appliances – Asia Pacific for nine years during which time he held the positions of Deputy Head of Strategy, Asia Pacific, based in Singapore from July 2011 to September 2013, Chief Financial Officer of Electrolux China, based in Shanghai from October 2008 to June 2011, General Manager of P.T. Electrolux Indonesia from January 2007 to September 2008 and before that from March 2004 to December 2006, he was the Vice President, Finance & Administration – East Asia.

Before joining Electrolux, Mr Saw was with Merck Sharp & Dohme (I.A.) Corp from 2001 to 2003 and Nike Southeast Asia from 1999 to 2001, where he held the position of Finance Director in both companies.

Mr Saw was appointed to the Board of HLFG on 22 August 2011 and is a member of the BARMC and NC of HLFG.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLFG, are brothers. YBhg Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLFG.

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLFG.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences in the past 10 years.

4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

The Board Audit Committee of Hong Leong Financial Group Berhad ("HLFG" or the "Company") has been established since 23 March 1994 and has been re-designated as the Board Audit & Risk Management Committee ("BARMC") on 29 August 2001.

COMPOSITION

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

Ms Lim Tau Kien
(Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

SECRETARY

The Secretary(ies) to the BARMC are the Company Secretary(ies) of the Company.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the officers of HLFG and its subsidiaries ("the Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigation and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review and monitor the business and financial risks facing the Group and to ensure that all high impact risks are adequately managed at various levels within the Group.
- To review any related party transactions that might arise within the Company or the Group.
- Other functions as may be agreed to by the BARMC and the Board.

AUTHORITY

The BARMC is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(continued)

MEETINGS (continued)

The chief financial officer, Group risk and compliance officers and external auditors are invited to attend the BARMC meetings, whenever required. At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of Executive Directors and management.

Two (2) members of the BARMC, who shall be independent and non-executive, shall constitute a quorum.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The BARMC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2013 ("FYE 2013"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:-

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	4/4
Ms Lim Tau Kien	4/4
Mr Saw Kok Wei	4/4

The BARMC also had two (2) separate sessions with the external auditors without the presence of Executive Directors and management.

The BARMC reviewed the quarterly reports and annual financial statements of the Group. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The BARMC also assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also reviewed the internal auditor's audit findings and recommendations.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The BARMC reviewed various related party transactions carried out by the Group.

INTERNAL AUDIT

The Group's Internal Audit function is carried out by the Group Internal Audit Division.

During the FYE 2013, the Group Internal Audit Division carried out its duties covering business audit, system and financial audit.

The cost incurred for the Internal Audit function in respect of the FYE 2013 was RM9.3 million.

This BARMC Report is made in accordance with the resolution of the Board.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 (the "Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM from time to time.

There is a clear division of responsibilities between the Chairman and the President & Chief Executive Officer ("CEO"), which are distinct and separate. This segregation of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman ensures the smooth and effective functioning of the Board.

The CEO is responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas ("KPAs") and strategic developments.

The CEO's main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

B. BOARD COMPOSITION

The Board comprises seven (7) directors, five (5) of whom are non-executive. Of the non-executive directors, four (4) are independent and the Board as such comprises a majority of independent directors. The profiles of the members of the Board are provided in the Annual Report.

The Company adheres to BNM's Guidelines on Corporate Governance for Licensed Institutions ("BNM/GP1") in determining its board composition. The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation. The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

(a) Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the BARMC Report of this Annual Report.

(b) Nominating Committee ("NC")

The NC has been established on 30 October 2008 and the members are as follows:-

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

Ms Lim Tau Kien
(Independent Non-Executive Director)

Ms Lim Lean See
(Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

The NC's functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

(b) Nominating Committee ("NC") (continued)

The NC's functions and responsibilities are set out in the TOR as follows:- (continued)

- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.

- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.

- Ensure that the Board receives an appropriate continuous training programme.

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment and re-election of directors and the appointment of CEO, and the criteria used in such assessment.

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director.

Having reviewed the assessments in respect of the financial year ended 30 June 2013 ("FYE 2013"), the NC is satisfied that the Board as a whole, Board committees and individual directors have effectively discharged their duties and responsibilities, and are suitably qualified to hold their positions.

In connection with the appointment and re-appointment of directors and CEO of the Company, the NC is guided by a Fit and Proper Policy.

The Fit and Proper Policy includes a policy in relation to the tenure for independent directors of the Company ("Tenure Policy"). Pursuant to the Tenure Policy, an independent director who had served on the board of directors of any company under Hong Leong Financial Group for a period of 12 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon:-

a) expiry of his term of office approved by BNM; or

b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Company or pursuant to Section 129(2) of the Companies Act, 1965 as the case may be.

If the intention of the independent director is to continue in office, the NC shall consider the re-appointment based on the assessment criteria and guidelines set out in the Fit and Proper Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be submitted to BNM to seek clearance, in accordance with the BNM Guidelines.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

(b) Nominating Committee ("NC") (continued)

During the FYE 2013, one (1) NC meeting was held and the attendance of the NC members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Ms Lim Tau Kien	1/1
Ms Lim Lean See	1/1
Mr Saw Kok Wei	1/1

The NC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NC also reviewed the performance of the Board against its TOR and was satisfied that the Board was competent and effective in discharging its functions.

(c) Remuneration Committee ("RC")

The RC has been established on 30 October 2008 and the members are as follows:-

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

Ms Lim Lean See
(Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration packages of key senior management officers.

During the FYE 2013, one (1) RC meeting was held and the attendance of the RC members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Ms Lim Lean See	1/1

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

(c) Remuneration Committee ("RC") (continued)

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The RC, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The aggregate remuneration of directors (including the director who had retired during the FYE 2013, and remuneration earned as directors of subsidiaries) for the FYE 2013 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	-	11,312,361	11,312,361
Non-Executive Directors	544,795	5,558,593	6,103,388

The number of directors whose remuneration (including the director who had retired during the FYE 2013) falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
1 – 50,000	-	1
100,001 – 150,000	-	2
250,001 – 300,000	-	1
300,001 – 350,000	-	1
2,400,001 – 2,450,000	1	-
5,250,001 – 5,300,000	-	1
8,850,001 – 8,900,000	1	-

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

D. INDEPENDENCE (continued)

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, who has served on the Board for more than 9 years remains objective and has continued to bring independent and objective judgment to Board deliberations and decision making. In this regard, the NC is guided by the Fit and Proper Policy of the Company.

The designation of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, Ms Lim Tau Kien, Ms Lim Lean See and Mr Saw Kok Wei as independent directors have received the approval of BNM.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs on the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 75% of Board Meetings held in each financial year pursuant to the BNM/GP1.

The Board is supported by a qualified and competent Company Secretary.

All directors have access to the advice and services of the Company Secretary and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman or the CEO of the Company.

The Board met six (6) times during FYE 2013 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Director	Attendance
YBhg Tan Sri Quek Leng Chan	6/6
Mr Choong Yee How	6/6
Mr Quek Kon Sean	6/6
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/6
Ms Lim Tau Kien	6/6
Ms Lim Lean See	5/6
Mr Saw Kok Wei	6/6
*YBhg Datuk Yvonne Chia	6/6

Note:
* Retired on 30 June 2013

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

E. COMMITMENT (continued)

The Company recognises the importance of continuous professional development and training for its directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme for newly appointed directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as director of the Company and continuing professional development which encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences.

All directors of the Company have completed the Mandatory Accreditation Programme.

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

During the FYE 2013, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the FYE 2013, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – Financial Institutions Directors' Education ("FIDE") Core Programme
- Financial Services Act and Islamic Financial Services Act
- Enterprise Risk Management
- Internal Capital Adequacy Assessment Process (ICAAP) Workshop
- The 10th Islamic Financial Services Board Summit 2013 – The Future of the Islamic Financial Services Industry – Resilience, Stability and Inclusive Growth
- Bursa Malaysia - Board Governance Programme: Nominating Committee
- Bursa Malaysia - Governance Advocacy Session: "Making the most of Chief Financial Officer role: Everyone's Responsibility?"
- BNM – FIDE Elective Programme: "Winning the War for Talent"
- BNM - FIDE Elective Programme: Audit Committee
- Bursa Malaysia – Governance Programme: "The key components of establishing and maintaining world-class audit committee reporting capabilities"
- Bursa Malaysia – Forum on "What keeps an audit committee up at night"
- BNM - FIDE Elective Programme: Governance in Groups
- Bursa Malaysia - Advocacy Session on Corporate Disclosure

F. ACCOUNTABILITY AND AUDIT

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

F. ACCOUNTABILITY AND AUDIT (continued)

II Internal Control (continued)

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BARMC is delegated with the responsibility to provide oversight on the Company's management of critical risks that the Group faces, and to review the effectiveness of internal controls implemented in the Company.

The Statement on Risk Management and Internal Control as detailed under Section I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually.

During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BARMC members at least twice a year without the presence of Executive Directors and management.

G. DISCLOSURE

The Company has in place a corporate disclosure policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the website after release to Bursa.

H. SHAREHOLDERS

I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company website, Bursa website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Shareholders have the right to demand to vote by way of a poll at the general meetings for substantive resolutions and the voting results will be announced at the meetings and through Bursa.

The Company has a website at 'www.hlfg.com.my' which the shareholders can access for information which includes the Board Charter, corporate information, announcements/press releases/briefings, financial information and investor relations.

The Board has identified YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, the Chairman of the BARMC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

H. SHAREHOLDERS (continued)

I Dialogue between Companies and Investors (continued)

Queries may be conveyed to the Chief Financial Officer at:

Tel No : 03-2164 8228
Fax No : 03-2715 8988
E-mail address : cfo-hlfg@hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I The responsibility of the Board

The Board recognises its responsibilities for the system of internal controls of the Group and for reviewing its adequacy and integrity. Accordingly, the Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. It only provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.

The Board has received assurance from the President & Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the outcome of these reviews as well as the assurance it has received from management, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

II The Risk Management Framework

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FYE 2013 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

The Group's Risk Officers administer the Risk Management Framework of the Group. The primary responsibilities of the Group's Risk Officers are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

II The Risk Management Framework (continued)

In discharging the above responsibilities, the Group's Risk Officers are guided by but are not limited to the Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers.

III Internal Control Review and Regulatory Compliance Procedures

The Group Internal Audit Division ("GIAD"), under the direction of the BARMC, provides the BARMC and the Board the assurance it requires regarding the adequacy and integrity of the system of internal controls.

The GIAD undertakes periodic and systematic reviews of internal control systems and the review of compliance with the business objectives, policies, reporting standards and control procedures of the Group. This is to provide reasonable assurance to the Board on the proper functioning of the Risk Management Framework.

The Group's Compliance Officers monitor daily operations of licensed subsidiaries to ensure compliance with regulatory requirements and internal policies. All breaches and exceptions are brought to the attention of the BARMC and the BARMC is kept informed of the causes and the remedial measures taken.

IV Management and Decision-Making Processes

The Board has incorporated the Risk Management Framework as an integral component in the management and decision-making process of the Group.

The vision and mission statements of the Group form the basis of medium-term business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs monthly review to monitor the performance of all operating units against the business plans and budgets. The budget is monitored and major variances are followed-up by the management. These are then reported to the Board on a quarterly basis.

The Company's financial system records business transactions to produce quarterly reports that allow management to focus on key areas of concern. The public release of quarterly financial reporting of the Group will only be made after being reviewed by the BARMC and approved by the Board.

The Group has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The respective heads of the operating subsidiaries of the Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented by operating procedures developed by the operating units to suit the regulatory and business environment, in which they operate.

The Group has identified the major risks that has significant impact on its operations, namely; credit risk, market risk, liquidity risk, settlement risk, operational risk, and legal and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these risks through limits, procedures and oversight. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2013, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance, Risk Management and Internal Control is made in accordance with the resolution of the Board.

DIRECTORS' REPORT
for the financial year ended 30 June 2013

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stock broking and asset management business as disclosed in Note 11 to the financial statements.

There have been no significant changes in the principal activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	The Group	The Company
	RM'000	RM'000
Net profit after taxation:		
- Equity holders of the Company	1,487,690	330,292
- Non-controlling interests	677,084	-
	2,164,774	330,292

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since the previous financial year ended 30 June 2012 were as follows:

(a) A first interim single-tier dividend of 13 sen per share, amounting to RM135,555,599.53 in respect of the financial year ended 30 June 2013, was paid on 20 December 2012.

(b) A second interim single-tier dividend of 23 sen per share, amounting to RM240,447,377.63 in respect of the financial year ended 30 June 2013, was paid on 27 June 2013.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2013.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 52 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the statement of financial position date are disclosed in Note 53 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

CREDIT RATING

On 26 August 2013, Malaysian Rating Corporation Berhad ("MARC") has affirmed a MARC-1/AA rating to Hong Leong Financial Group Berhad ("HLFG")'s proposed Commercial Paper and Medium Term Notes Programmes with a combined limit of RM1.8 billion. The rating outlook for the long-term rating is stable. The ratings are based on the continued ability of HLFG's enlarged banking subsidiary, Hong Leong Bank Berhad, to generate strong earnings, the stable financial and operating performance of its insurance business and the well-capitalised positions of both its banking and insurance subsidiaries.

Details of the ratings are as follows:

RM1,800 million Commercial Paper and Medium Term Notes Programmes

Date Accorded	Rating Action	Rating Classification	Definition
August 2013	Affirmed	Short-term rating : MARC-1	Highest category; indicates a very high likelihood that interest and principal will be paid on a timely basis.
August 2013	Affirmed	Long-term rating : AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	*(Chairman, Non-Executive Non-Independent)*
Mr Choong Yee How	*(President & Chief Executive Officer, Non-Independent)*
Mr Quek Kon Sean	*(Executive Director, Non-Independent)*
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	*(Independent Non-Executive Director)*
Ms Lim Tau Kien	*(Independent Non-Executive Director)*
Ms Lim Lean See	*(Independent Non-Executive Director)*
Mr Saw Kok Wei	*(Independent Non-Executive Director)*
YBhg Datuk Yvonne Chia *(Retired on 30 June 2013)*	*(Non-Independent Non-Executive Director)*

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	Sold	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	-	-	20,800
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	2,992,000	1,792,000 (8)	-	4,784,000
		6,188,000 *	-	(1,792,000) (8)	4,396,000 *
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	935,000	560,000 (8)	-	1,495,000
		2,640,000 *	-	(560,000) (8)	2,080,000 *

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	Sold	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	195,263,227	5,541,831 (9)	-	200,805,058
Hong Leong Bank Berhad	1.00	1,163,983,985	-	(3,364,700)	1,160,619,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603 (6)	-	-	246,136,603 (6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 (7)	-	-	6,941 (7)
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	(5)	5,286,500	-	(5,286,500)	-
Malaysian Pacific Industries Berhad	0.50	110,245,457 (6)	-	(2,463,100)	107,782,357 (6)
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 (7)	-	-	22,400 (7)
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	USD0.50	235,948,529	8,467,401 (12)	-	244,415,930
GuocoLand Limited	(1)	819,244,363 (6)	-	-	819,244,363 (6)
Southern Steel Berhad	1.00	301,541,202	-	-	301,541,202
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	54,383,093	64,439,860 (13)	-	118,822,953
	1.00	100,000 (14)	-	(50,000) (15)	50,000 (14)
Belmeth Pte. Ltd.	(1)	40,000,000	-	-	40,000,000
Guston Pte. Ltd.	(1)	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd	(1)	63,000,000	-	-	63,000,000

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	Sold	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Sanctuary Land Pte Ltd	(1)	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	-	271,499,800
Nanjing Xinhaoning Property Development Co., Ltd	(3)	11,800,800	86,209,200	-	98,010,000
Nanjing Xinhaoxuan Property Development Co. Ltd	(3)	11,800,800	-	-	11,800,800
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	-	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	-	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 (7)	-	-	68,594,000 (7)
GuocoLeisure Limited	USD0.20	921,840,425	1,415,000	-	923,255,425
The Rank Group Plc	GBP13 8/9p	291,046,540	-	-	291,046,540
Park House Hotel Limited (In members' voluntary liquidation)	GBP10p	2,883,440	-	(2,883,440) (16)	-
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600 (11)	-	-	3,600 (11)
Hong Leong Capital Berhad	1.00	100,000 (11)	-	(100,000) (10)	-

DIRECTORS' REPORT

for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	Sold	As at 30.06.2013
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250

Notes:

(1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(2) Capital contribution in RMB
(3) Capital contribution in USD
(4) Capital contribution in HKD
(5) Capital contribution in VND
(6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(7) Redeemable Preference Shares
(8) Exercise of share options
(9) Acceptances received pursuant to the voluntary take-over offer
(10) Acceptance of voluntary take-over offer
(11) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(12) Inclusive of acceptances received pursuant to the unconditional cash offer
(13) Acceptance of rights issue
(14) Redeemable Convertible Cumulative Preference Shares ("RCCPS")
(15) Redemption of RCCPS
(16) Dissolved during the financial year

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the share options granted pursuant to the Executive Share Option Scheme.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

EXECUTIVE SHARE OPTION SCHEMES

There are two Executive Share Option Schemes ("ESOS" or "Scheme") established and implemented concurrently by the Company.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016" or "Scheme 2006/2016")

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("ESOS 2006/2016 Aggregate Maximum Allocation").

3. The Scheme 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder during his employment with the HLFG Group and upon meeting the vesting conditions of each ESOS plan as stated in the Note 51, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2006/2016.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS 2006/2016; or a combination of both new shares and existing shares.

There were no options granted under the ESOS 2006/2016 of the Company during the financial year ended 30 June 2013.

As at 30 June 2013, a total of 20,451,000 options have been granted under the ESOS 2006/2016, out of which 8,003,800 options have been exercised, with 7,967,200 options remaining outstanding. The aggregate options granted to directors and chief executives of the HLFG Group under the ESOS 2006/2016 amounted to 15,800,000, out of which 6,279,000 options have been exercised, with 6,476,000 options outstanding.

Since the commencement of the ESOS 2006/2016, the maximum allocation applicable to directors and senior management of the HLFG Group is 50% of the ESOS 2006/2016 Aggregate Maximum Allocation.

As at 30 June 2013, the actual percentage of options granted to directors and senior management of the HLFG Group under the ESOS 2006/2016 was 1.81% of the issued and paid up ordinary share capital of the Company.

DIRECTORS' REPORT

for the financial year ended 30 June 2013
(continued)

EXECUTIVE SHARE OPTION SCHEMES (continued)

(b) Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023" or "Scheme 2013/2023")

The ESOS 2013/2023 of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS 2013/2023 are, inter alia, as follows:

1. Eligible executives are those executives of the HLFG Group who have been confirmed in service on the date of offer or Directors of the HLFG Group. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options.

2. At any point of time during the existence of the ESOS 2013/2023, the aggregate number of shares to be issued under the ESOS 2013/2023 and any other ESOS established by HLFG which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("ESOS 2013/2023 Aggregate Maximum Allocation").

3. The Scheme 2013/2023 shall be in force for a period of ten (10) years from 12 March 2013.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment with the HLFG Group and upon meeting the vesting conditions of each ESOS plan as stated in the Note 51, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2013/2023.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

As at 30 June 2013, there were no options granted under the ESOS 2013/2023 of the Company.

Since the commencement of the ESOS 2013/2023, the maximum allocation applicable to directors and senior management of the HLFG Group is 50% of the ESOS 2013/2023 Aggregate Maximum Allocation.

A trust has been set up for the ESOS and it is administered by an appointed trustee. This 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 with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS is charged to the statements of income.

DIRECTORS' REPORT

for the financial year ended 30 June 2013
(continued)

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2013, the issued and paid-up share capital of the Company is RM1,052,767,789 comprising 1,052,767,789 ordinary shares of RM1.00 each.

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

(i) Before the statements of income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and

- to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in Notes 54 to the financial statements.

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent;

- which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and

- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2013 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

for the financial year ended 30 June 2013
(continued)

DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

The Group's Islamic banking and takaful business activities are subject to the Shariah compliance and confirmation by the Shariah Advisory Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad, and approved by Bank Negara Malaysia.

The primary role of the Shariah Advisory Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 July 2013.

CHOONG YEE HOW
Director

QUEK KON SEAN
Director

Kuala Lumpur
18 September 2013

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2013

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Assets				
Cash and short-term funds	2	**19,797,580**	21,121,039	32,011,433
Deposits and placements with banks and other financial institutions	3	**7,154,848**	4,534,620	5,213,395
Securities purchased under resale agreements		**1,299,641**	590,521	159,770
Financial assets held-for-trading	4	**16,804,320**	23,340,140	7,147,980
Financial investments available-for-sale	5	**22,311,708**	15,350,975	10,685,916
Financial investments held-to-maturity	6	**4,816,670**	4,365,441	8,047,628
Derivative financial instruments	20	**906,483**	980,880	798,164
Loans, advances and financing	7	**96,274,952**	89,512,955	82,494,902
Clients' and brokers' balances	8	**256,474**	269,260	236,386
Other receivables	9	**1,003,569**	660,250	1,155,604
Statutory deposits with Central Banks	10	**3,457,409**	3,350,987	2,220,366
Tax recoverable		**19,972**	18,330	9,752
Investment in associated companies	12	**2,456,598**	2,209,079	1,964,951
Investment in jointly controlled entity	13	**79,945**	76,871	75,252
Property and equipment	14	**1,039,745**	1,037,885	1,010,913
Investment properties	15	**1,680**	1,680	1,680
Goodwill arising on consolidation	16	**2,410,644**	2,410,644	2,410,644
Intangible assets	17	**380,907**	454,058	382,986
Total assets		**180,473,145**	170,285,615	156,027,722

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2013
(continued)

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Liabilities				
Deposits from customers	18	**123,958,705**	123,216,802	114,748,978
Deposits and placements of banks and other financial institutions	19	**13,110,123**	10,879,507	11,445,660
Obligations on securities sold under repurchase agreements		**1,925,777**	633,797	-
Bills and acceptances payable		**800,680**	486,091	683,996
Derivative financial instruments	20	**1,009,421**	1,137,906	682,098
Clients' and brokers' balances		**140,353**	138,451	177,768
Payables and other liabilities	21	**4,574,141**	3,864,180	3,854,889
Provision for claims		**85,255**	96,818	63,763
Provision for taxation		**189,131**	228,967	77,351
Deferred tax liabilities	22	**221,561**	238,333	82,378
Borrowings	23	**3,526,161**	1,744,338	2,214,240
Senior bonds	24	**1,902,171**	1,907,793	910,810
Subordinated obligations	25	**4,873,509**	4,369,385	2,885,028
Non-innovative Tier 1 stapled securities	26	**1,408,992**	1,407,283	1,405,706
Innovative Tier 1 capital securities	27	**556,042**	574,581	595,720
Insurance funds	28	**7,186,415**	6,079,679	5,350,450
Total liabilities		**165,468,437**	157,003,911	145,178,835
Equity attributable to owners of the parent				
Share capital	29	**1,052,768**	1,052,768	1,052,768
Reserves	30	**9,072,918**	7,908,447	6,894,041
Treasury shares for ESOS scheme	31	**(49,958)**	(62,705)	(72,517)
		10,075,728	8,898,510	7,874,292
Non-controlling interests		**4,928,980**	4,383,194	2,974,595
Total equity		**15,004,708**	13,281,704	10,848,887
Total equity and liabilities		**180,473,145**	170,285,615	156,027,722
Commitments and contingencies	42	**167,125,844**	154,335,344	142,616,516

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2013
(continued)

		The Company		
	Note	**30 June 2013 RM'000**	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Assets				
Cash and short-term funds	2	**10,662**	40,900	114,679
Deposits and placements with banks and other financial institutions	3	**11,677**	-	-
Financial assets held-for-trading	4	**-**	-	37,814
Derivative financial instruments	20	**860**	196	2,342
Other receivables	9	**3,007**	2,390	2,554
Amount due from subsidiaries	48	**57,656**	60,461	2,357,479
Tax recoverable		**17,400**	16,113	8,475
Investment in subsidiary companies	11	**15,105,348**	15,240,532	13,537,942
Deferred tax assets	22	**4,977**	-	-
Property and equipment	14	**898**	1,092	1,577
Intangible assets	17	**11**	15	12
Total assets		**15,212,496**	15,361,699	16,062,874
Liabilities				
Derivative financial instruments	20	**8,160**	17,545	8,454
Payables and other liabilities	21	**13,245**	12,868	5,970
Amount due to subsidiaries	48	**1,859**	-	15
Borrowings	23	**1,466,106**	1,579,288	2,194,165
Total liabilities		**1,489,370**	1,609,701	2,208,604
Equity attributable to owners of the parent				
Share capital	29	**1,052,768**	1,052,768	1,052,768
Reserves	30	**12,707,519**	12,746,315	12,857,288
Treasury shares for ESOS scheme	31	**(37,161)**	(47,085)	(55,786)
Total equity		**13,723,126**	13,751,998	13,854,270
Total equity and liabilities		**15,212,496**	15,361,699	16,062,874
Commitments and contingencies	42	**967,360**	1,165,672	921,000

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF INCOME

for the financial year ended 30 June 2013

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	32	**5,618,423**	5,554,314	**3,804**	32,094
Interest expense	33	**(3,264,357)**	(2,962,567)	**(57,076)**	(68,587)
Net interest income/(expense)		**2,354,066**	2,591,747	**(53,272)**	(36,493)
Income from Islamic banking business	34	**454,887**	447,598	**-**	-
		2,808,953	3,039,345	**(53,272)**	(36,493)
Non-interest income	35	**1,569,618**	1,118,818	**507,729**	277,486
		4,378,571	4,158,163	**454,457**	240,993
Overhead expenses	36	**(2,036,802)**	(2,094,398)	**(27,436)**	(34,135)
Operating profit before allowances		**2,341,769**	2,063,765	**427,021**	206,858
(Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	37	**(41,621)**	19,855	**-**	-
Writeback of impairment losses		**4,275**	39,515	**1,056**	-
		2,304,423	2,123,135	**428,077**	206,858
Share of results of associated companies	12	**322,542**	268,994	**-**	-
Share of results of jointly controlled entity	13	**3,074**	1,619	**-**	-
Profit before taxation		**2,630,039**	2,393,748	**428,077**	206,858
Taxation	39	**(465,265)**	(540,310)	**(97,785)**	(61,742)
Net profit for the financial year		**2,164,774**	1,853,438	**330,292**	145,116
Attributable to:					
Owners of the parent		**1,487,690**	1,233,568	**330,292**	145,116
Non-controlling interests		**677,084**	619,870	**-**	-
		2,164,774	1,853,438	**330,292**	145,116
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	40	**142.7**	118.6	**31.6**	13.9
- Diluted	40	**142.4**	118.0	**31.5**	13.8

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME
for the financial year ended 30 June 2013

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the financial year		**2,164,774**	1,853,438	**330,292**	145,116
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**4,879**	14,124	**-**	-
Share of other comprehensive loss of associated companies and jointly controlled entity		**(672)**	(185)	**-**	-
Net fair value changes on financial investments available-for-sale	55	**93,060**	88,632	**-**	-
Income tax relating to components of other comprehensive income	55	**(25,816)**	(25,938)	**-**	-
Other comprehensive income for the financial year, net of tax		**71,451**	76,633	**-**	-
Total comprehensive income for the financial year, net of tax		**2,236,225**	1,930,071	**330,292**	145,116
Attributable to:					
Owners of the parent		**1,558,886**	1,279,063	**330,292**	145,116
Non-controlling interest		**677,339**	651,008	**-**	-
		2,236,225	1,930,071	**330,292**	145,116

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

		Attributable to owners of the parent												
The Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares for ESOS scheme RM'000**	**Statutory reserve RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Other capital reserve RM'000**	**Share options reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 1 July 2012														
- as previously reported		1,052,768	117,229	(62,705)	1,473,456	6,045	97,530	133,993	35,445	(22,982)	5,562,666	8,393,445	4,153,189	12,546,634
- adoption of MFRS and changes in accounting policies	54	-	-	-	-	-	81,976	-	-	-	423,089	505,065	230,005	735,070
As restated		1,052,768	117,229	(62,705)	1,473,456	6,045	179,506	133,993	35,445	(22,982)	5,985,755	8,898,510	4,383,194	13,281,704
Comprehensive income														
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,487,690	1,487,690	677,084	2,164,774
Currency translation differences		-	-	-	-	-	-	-	-	2,481	-	2,481	2,398	4,879
Share of other comprehensive expense of associated companies		-	-	-	-	-	(664)	-	-	-	-	(664)	(8)	(672)
Net fair value changes in financial investments available-for-sale, net of tax	55	-	-	-	-	-	69,379	-	-	-	-	69,379	(2,135)	67,244
Total comprehensive income		-	-	-	-	-	68,715	-	-	2,481	1,487,690	1,558,886	677,339	2,236,225
Transaction with owners														
Transfer to statutory reserve/regulatory reserve		-	-	-	498,302	2,482	-	-	-	-	(500,784)	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	-	-	3,435	3,435	(2,064)	1,371
Acquisition of additional interest in subsidiary company		-	-	-	-	-	-	-	-	-	499	499	(9,976)	(9,477)
Dividends paid	41	-	-	-	-	-	-	-	-	-	(376,003)	(376,003)	-	(376,003)
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	(32,400)	(32,400)	(172,496)	(204,896)
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	52,983	52,983
Options charge arising from ESOS		-	-	-	-	-	-	-	3,401	-	-	3,401	-	3,401
Purchase of treasury shares		-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Exercise of ESOS		-	-	16,423	-	-	-	-	(16,078)	-	22,731	23,076	-	23,076
Transfer to capital redemption reserve		-	-	-	-	-	-	424	-	-	(424)	-	-	-
Total transaction with owners		-	-	12,747	498,302	2,482	-	424	(12,677)	-	(882,946)	(381,668)	(131,553)	(513,221)
As at 30 June 2013		1,052,768	117,229	(49,958)	1,971,758	8,527	248,221	134,417	22,768	(20,501)	6,590,499	10,075,728	4,928,980	15,004,708

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013
(continued)

		Attributable to owners of the parent												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 July 2011														
- as previously reported		1,052,768	117,229	(72,517)	1,241,179	726	88,880	133,258	34,965	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538
- adoption of MFRS and changes in accounting policies	54	-	-	-	-	-	59,006	-	-	-	344,287	403,293	183,056	586,349
As restated		1,052,768	117,229	(72,517)	1,241,179	726	147,886	133,258	34,965	(36,857)	5,255,655	7,874,292	2,974,595	10,848,887
Comprehensive income														
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,233,568	1,233,568	619,870	1,853,438
Currency translation differences		-	-	-	-	-	-	-	-	13,875	-	13,875	249	14,124
Share of other comprehensive expense of associated companies		-	-	-	-	-	(177)	-	-	-	-	(177)	(8)	(185)
Net fair value changes in financial investments available-for-sale, net of tax	55	-	-	-	-	-	31,797	-	-	-	-	31,797	30,897	62,694
Total comprehensive income		-	-	-	-	-	31,620	-	-	13,875	1,233,568	1,279,063	651,008	1,930,071
Transaction with owners														
Transfer to statutory reserve/regulatory reserve		-	-	-	232,277	5,319	-	-	-	-	(237,596)	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	-	-	(16,250)	(16,250)	16,055	(195)
Subscription of rights shares of a subsidiary company		-	-	-	-	-	-	-	-	-	-	-	916,325	916,325
Dividends paid	41	-	-	-	-	-	-	-	-	-	(260,506)	(260,506)	-	(260,506)
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	-	(131,741)	(131,741)
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	(43,048)	(43,048)
Options charge arising from ESOS		-	-	-	-	-	-	-	4,534	-	2,614	7,148	-	7,148
Purchase of treasury shares		-	-	(6,060)	-	-	-	-	-	-	-	(6,060)	-	(6,060)
Exercise of ESOS		-	-	15,872	-	-	-	-	(4,054)	-	9,005	20,823	-	20,823
Transfer to capital redemption reserve		-	-	-	-	-	-	735	-	-	(735)	-	-	-
Total transaction with owners		-	-	9,812	232,277	5,319	-	735	480	-	(503,468)	(254,845)	757,591	502,746
As at 30 June 2012		1,052,768	117,229	(62,705)	1,473,456	6,045	179,506	133,993	35,445	(22,982)	5,985,755	8,898,510	4,383,194	13,281,704

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013
(continued)

		Non-distributable					Distributable	
The Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares for ESOS scheme RM'000**	**Other capital reserve RM'000**	**Share options reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
As at 1 July 2012								
- as previously reported		**1,052,768**	**117,229**	**(47,085)**	**254,991**	**12,078**	**1,217,425**	**2,607,406**
- adoption of MFRS and changes in accounting policies	54	**-**	**-**	**-**	**-**	**-**	**11,144,592**	**11,144,592**
As restated		**1,052,768**	**117,229**	**(47,085)**	**254,991**	**12,078**	**12,362,017**	**13,751,998**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**330,292**	**330,292**
Dividends paid	41	**-**	**-**	**-**	**-**	**-**	**(376,003)**	**(376,003)**
Options charge arising from ESOS		**-**	**-**	**-**	**-**	**4,602**	**-**	**4,602**
Purchase of treasury shares		**-**	**-**	**(3,676)**	**-**	**-**	**-**	**(3,676)**
Exercise of ESOS		**-**	**-**	**13,600**	**-**	**-**	**2,313**	**15,913**
As at 30 June 2013		**1,052,768**	**117,229**	**(37,161)**	**254,991**	**16,680**	**12,318,619**	**13,723,126**
As at 1 July 2011								
- as previously reported		1,052,768	117,229	(55,786)	254,991	13,557	1,326,919	2,709,678
- adoption of MFRS and changes in accounting policies	54	-	-	-	-	-	11,144,592	11,144,592
As restated		1,052,768	117,229	(55,786)	254,991	13,557	12,471,511	13,854,270
Net profit for the financial year		-	-	-	-	-	145,116	145,116
Dividends paid	41	-	-	-	-	-	(260,506)	(260,506)
Options charge arising from ESOS		-	-	-	-	(1,479)	2,614	1,135
Purchase of treasury shares		-	-	(6,060)	-	-	-	(6,060)
Exercise of ESOS		-	-	14,761	-	-	3,282	18,043
As at 30 June 2012		1,052,768	117,229	(47,085)	254,991	12,078	12,362,017	13,751,998

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

	The Group	
	2013 RM'000	2012 RM'000
Cash flows from operating activities		
Profit before taxation	**2,630,039**	2,393,748
Adjustments for:		
Unearned premium reserves	**(2,098)**	9,280
Life fund - underwriting surplus	**1,205,945**	782,465
Depreciation of property and equipment	**110,724**	109,246
Amortisation of intangible assets	**100,483**	75,842
Intangible assets written off	**543**	919
Property and equipment written off	**219**	1,660
Gain on sale of property and equipment	**(924)**	(959)
Gain from disposal of financial assets held-for-trading	**(47,978)**	(31,227)
Gain from redemption of financial investments held-to-maturity	**(8,437)**	(1,839)
Gain from disposal of financial investments available-for-sale	**(116,716)**	(44,112)
Gain from disposal of derivative financial instruments	**(19,764)**	(73,739)
Net unrealised (gain)/loss on revaluation of financial assets held-for-trading and derivative financial instruments	**(110,445)**	175,470
Net realised loss on fair value changes arising from fair value hedges	**26,614**	28,336
Net unrealised gain on fair value changes arising from fair value hedges	**(10,917)**	(8,774)
Unrealised exchange loss/(gain)	**2,644**	(4,917)
Writeback of impairment losses	**(4,275)**	(39,515)
Allowances for/(writeback of) impairment losses on loans, advances and financing	**41,621**	(19,855)
Interest expense on borrowings	**198,959**	70,043
Interest expense on subordinated obligations	**194,731**	138,439
Interest expense on senior bonds	**67,557**	42,756
Interest expense on non-innovative Tier 1 stapled securities	**72,215**	72,858
Interest expense on innovative Tier 1 capital securities	**23,742**	21,198
Interest income from financial assets held-for-trading	**(741,624)**	(534,026)
Interest income from financial investments available-for-sale	**(322,668)**	(236,349)
Interest income from financial investments held-to-maturity	**(104,525)**	(199,303)
Dividend income from financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity	**(238,352)**	(53,140)
Option charge arising from ESOS	**3,401**	7,148
Surplus transferred from life insurance business	**(94,512)**	(66,000)
Shares of jointly controlled entity's results	**(3,074)**	(1,619)
Shares of associated companies' results	**(322,542)**	(268,994)
	(99,453)	(48,708)
Operating profit before working capital changes	**2,530,586**	2,345,040

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013
(continued)

	The Group	
	2013 RM'000	2012 RM'000
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	(2,620,228)	678,775
Securities purchased under resale agreements	(709,120)	(430,751)
Financial assets held-for-trading	7,433,674	(15,658,910)
Loans, advances and financing	(6,803,618)	(6,998,198)
Clients' and brokers' balances	12,786	(32,874)
Other receivables	(389,066)	844,772
Statutory deposits with Central Banks	(106,422)	(1,130,621)
Increase/(decrease) in operating liabilities		
Deposits from customers	741,903	8,467,824
Deposits and placements of banks and other financial institutions	2,230,616	(566,153)
Obligations on securities sold under repurchase agreements	1,291,980	633,797
Bills and acceptances payable	314,589	(197,905)
Payables and other liabilities	764,628	(37,287)
Provision for claims	(11,563)	33,055
Clients' and brokers' balances	1,902	(39,317)
	2,152,061	(14,433,793)
Cash flows generated from/(used in) operating activities	4,682,647	(12,088,753)
Income tax paid	(570,177)	(286,575)
Interest received	3,804	32,094
	(566,373)	(254,481)
Net cash flows generated from/(used in) operating activities	4,116,274	(12,343,234)
Cash flows from investing activities		
Net purchases of financial investments available-for-sale	(6,756,049)	(4,483,895)
Net (purchases)/proceeds of financial investments held-to-maturity	(442,792)	3,522,071
Interest received on financial investments available-for-sale and financial investments held-to-maturity	427,192	435,652
Dividends received on financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity	238,352	53,140
Dividends received from associated companies	74,373	24,681
Proceeds from disposal of property and equipment	2,751	16,317
Purchase of property and equipment	(128,847)	(161,913)
Purchase of intangible assets	(28,356)	(145,876)
Acquisition of additional interest in subsidiary company	(9,477)	-
Net cash flows used in investing activities	(6,622,853)	(739,823)

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2013
(continued)

		The Group	
	Note	2013 RM'000	2012 RM'000
Cash flows from financing activities			
Interest paid on subordinated obligations		**(186,883)**	(136,754)
Interest paid on borrowings		**(139,558)**	(66,715)
Interest paid on senior bonds		**(67,639)**	(36,232)
Interest paid on non-innovative Tier 1 stapled securities		**(72,021)**	(71,281)
Interest paid on innovative Tier 1 capital securities		**(23,629)**	(21,198)
(Repayment)/drawdown of revolving credit		**(165,000)**	144,975
Issuance of medium term notes and commercial papers		**2,065,000**	430,000
Repayment of borrowings		**(178,030)**	(1,050,000)
Purchase of treasury shares		**(3,676)**	(6,060)
Proceeds from senior bonds		**-**	910,959
Proceeds from subordinated obligations		**505,000**	1,453,587
Proceeds from exercising of ESOS		**23,076**	20,823
Issuance of rights issue by subsidiary company		**-**	916,325
Dividends paid to			
- owners of the parent		**(376,003)**	(260,506)
- non-controlling interest		**(204,896)**	(131,741)
Net cash flows generated from financing activities		**1,175,741**	2,096,182
Net decrease in cash and cash equivalents		**(1,330,838)**	(10,986,875)
Effects of exchange rate changes		**7,379**	96,481
Cash and cash equivalents at beginning of financial year		**21,121,039**	32,011,433
Cash and cash equivalents at end of financial year	2	**19,797,580**	21,121,039

The accompanying accounting policies and notes form an integral part of these financial statements

COMPANY STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

	The Company	
	2013 RM'000	2012 RM'000
Cash flows from operating activities		
Profit before taxation	428,077	206,858
Adjustments for:		
Gain on sale of property and equipment	(1)	(4)
Net realised loss/(gain) on sale of financial assets held-for-trading	120	(122)
Net unrealised foreign exchange loss	-	5,820
Realised forex exchange loss	452	-
Net unrealised (gain)/loss on revaluation of financial assets held-for-trading and derivative financial instruments	(8,605)	11,237
Depreciation of property and equipment	341	593
Amortisation of intangible assets	7	9
Interest expense	57,076	68,587
Interest income	(3,804)	(32,094)
Writeback of impairment loss in subsidiary	(1,056)	-
Dividend income from financial assets held-for-trading	(1,025)	(1,728)
Dividend income from subsidiary companies	(481,620)	(297,422)
Option charge arising from ESOS	4,602	1,135
	(433,513)	(243,989)
Operating loss before working capital changes	(5,436)	(37,131)
Increase in receivables	(1,547)	(12,809)
(Increase)/decrease in financial assets held-for-trading	(120)	37,936
(Decrease)/increase in payables	(7,150)	12,849
	(8,817)	37,976
Cash flows (used in)/generated from operations	(14,253)	845
Income tax refund	16,355	4,975
Interest received	3,804	32,094
	20,159	37,069
Net cash flows generated from operating activities	5,906	37,914

COMPANY STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2013
(continued)

		The Company	
	Note	2013 RM'000	2012 RM'000
Cash flows from investing activities			
Dividend income from subsidiary companies		**361,215**	223,067
Dividends received on financial assets held-for-trading		**1,025**	1,728
Proceeds from disposal of property and equipment		**5**	4
Purchase of property and equipment		**(151)**	(108)
Purchase of intangible assets		**(3)**	(12)
Increase in investment in subsidiaries		**-**	(1,659,818)
Proceeds/(subscription) from redemption of redeemable preference shares		**145,716**	(42,772)
Acquisition of additional interest in subsidiary company		**(9,477)**	-
Repayment of bridging loan from subsidiary		**-**	2,300,000
Net cash flows generated from investing activities		**498,330**	822,089
Cash flows from financing activities			
Interest paid on borrowings		**(57,678)**	(65,259)
Proceeds from exercising ESOS		**15,913**	18,043
Purchase of treasury shares		**(3,676)**	(6,060)
Repayment of term loans		**(178,030)**	(1,050,000)
Drawdown of medium term notes and commercial papers		**65,000**	430,000
Dividends paid to shareholders of the Company		**(376,003)**	(260,506)
Net cash flows used in financing activities		**(534,474)**	(933,782)
Net decrease in cash and cash equivalents		**(30,238)**	(73,779)
Cash and cash equivalents at beginning of financial year		**40,900**	114,679
Cash and cash equivalents at end of financial year	2	**10,662**	40,900

The accompanying accounting policies and notes form an integral part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 and the Insurance Act, 1996. The financial statements incorporate the activities relating to the Islamic Banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong MSIG Takaful Berhad ("HLMT") in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles.

The financial statements of the Group and the Company for the year ended 30 June 2013 are the first set of financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of MFRS". Subject to certain transition elections disclosed in Note 54, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 July 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2012 in these financial statements have been restated to give effect to these changes. Note 54 discloses the impact of the transition to MFRS on the Group and the Company's reported financial position, financial performance and cash flows.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with 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 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's and the Company's accounting policies. Although these estimates and judgement are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 56.

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period:

(i) Financial year beginning on/after 1 July 2013

- MFRS 10 "Consolidated Financial Statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities".

- MFRS 11 "Joint Arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

(i) Financial year beginning on/after 1 July 2013 (continued)

- MFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate Financial Statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in Associates and Joint Ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(ii) Financial year beginning on/after 1 July 2014

- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 July 2015

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to statements of income, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

The adoption of the above new accounting standards (other than MFRS 9, 10 and 11) will not have any significant impact on the financial results of the Group and the Company. The financial effects of the adoption of MFRS 9, 10 and 11 are still being assessed by the Group and the Company.

B CONSOLIDATION

(a) Subsidiaries

The Company treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The Group applies the acquisition method to account for business combination.

Under the acquisition method of accounting, the consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in statements of income.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profits or loss on the acquisition date.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Any contingent consideration to be transferred by the Group is recognised at fair value at acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is required in accordance with MFRS 139 either in profits or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transaction and balances within group companies are eliminated and the consolidated financial statements reflect external transaction only. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For business combinations involving entities or businesses under common control, the Group applies predecessor (or common control) accounting, whereby no assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. No new goodwill arises in predecessor accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

B CONSOLIDATION (continued)

(a) Subsidiaries (continued)

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the acquirer's financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

(b) Transaction with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(c) Jointly controlled entity

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profits or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(d) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

B CONSOLIDATION (continued)

(d) Associated companies (continued)

The Group's share of its associated companies' post-acquisition profits or losses is recognised in statement of income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associated companies, the Group discontinues recognising its share of further losses. The interest in the associated companies is the carrying amount of the investment in the associated companies under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associated companies. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associated companies. If the associated companies subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

(e) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(f) Interests in subsidiaries, jointly controlled entity and associated companies

In the Company's separate financial statements, investment in subsidiaries, jointly controlled entity and associated companies are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, jointly controlled entity and associated companies, the difference between disposal proceeds and the carrying amount of investments are recognised in the statements of income.

C GOODWILL

Goodwill arises on business combinations when the cost of acquisition of subsidiaries, jointly controlled entity and associated companies exceeds the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of associated companies and jointly controlled entity are included in investment in associated companies and jointly controlled entity. Such goodwill is tested for impairment as part of the overall balance.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

D PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Depreciation of other property and equipment is calculated to write off the cost of property and equipment to their residual values over the estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Buildings on freehold land	2%
Equipment, furniture and fittings	10% - 33%
Renovations	10%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Property and equipment are reviewed for impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

E INVESTMENT PROPERTIES

Investment properties are properties which are held for rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs.

Investment properties are initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years. All gains or losses arising from a change in fair value of an investment property are recognised in the statements of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of income in the year in which they arise.

F INTANGIBLE ASSETS

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

F INTANGIBLE ASSETS (continued)

(ii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The useful lives of the intangible assets are as follows:

Core deposit	: 7 years
Customer relationships	: 10 years

G LEASES

Finance Lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statements of income.

Operating Lease

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profits or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

H FINANCIAL ASSETS

(a) Classification

The Group and the Company classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, financial investments available-for-sale and financial investments held-to-maturity. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets held-for-trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

H FINANCIAL ASSETS (continued)

(a) Classification (continued)

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group and the Company's management has the positive intent and ability to hold to maturity. If the Group or the Company sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statements of income.

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statements of income in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or loss previously recognised in other comprehensive income are recognised directly in the statements of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statements of income in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the de-recognition or impairment of the securities are recognised in the statements of income.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the statements of income. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the statements of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statements of income.

(d) Reclassification of financial assets

The Group and the Company may choose to reclassify a non-derivative financial assets held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loan and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

H FINANCIAL ASSETS (continued)

(d) Reclassification of financial assets (continued)

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

I FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placement of banks and other financial institutions, obligation securities sold under repurchase agreements, bills and acceptances payable, clients' and brokers' balances, sundry creditors, senior bonds, borrowings and subordinated obligations.

J DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

K OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

L FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

M DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until the disposal of the equity security.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the profit or loss in the periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statements of income.

(c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are included in the statements of income when the foreign operation is partially disposed or sold.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

N BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

O PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Company expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

P BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of income over the period of the borrowings using the effective interest method.

Q UNEARNED CONTRIBUTION RESERVES

Contribution liabilities refer to the higher of:

(i) the aggregate of the unearned contribution reserves ("UCR"); or

(ii) the best estimate value of the takaful's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall takaful subsidiary level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the valuation date and also includes allowance for the takaful operator's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future contribution refunds.

(a) Contribution liabilities

UCR are calculated for direct and reinsurance inwards business. UCR represents the portion of the net contribution of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year. In determining the UCR at the statement of financial position date, the method that most accurately reflects the actual unearned contribution is used, as follows:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/365th method for all other classes of general takaful business within Malaysia except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

Q UNEARNED CONTRIBUTION RESERVES (continued)

(a) Contribution liabilities (continued)

(iii) time apportionment method for non-annual policies (including long-term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(b) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the statements of financial position date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM, based on actuarial valuation.

(c) Acquisition costs

The gross cost of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

R BENEFITS, CLAIMS AND EXPENSES

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on life insurance policies/family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificates are recognised as follows:-

- maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

S INSURANCE CONTRACT LIABILITIES

These liabilities comprise of claims liabilities, actuarial liabilities, unallocated surpluses, financial investments available-for-sale fair value reserves and net asset value attributable to unitholders.

(a) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

S INSURANCE CONTRACT LIABILITIES (continued)

(a) Actuarial liabilities (continued)

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(b) Surplus in the life insurance contracts

Surplus arising from discretionary participation features ("DPF") insurance contracts are distributable to policyholders and shareholders in accordance with the relevant terms under Insurance Act, 1996. The insurance subsidiary, however, has discretion over the amount and timing of these surpluses to policyholders and shareholders.

Unallocated surplus of DPF insurance contracts where the amounts are yet to be allocated or distributed by the insurance subsidiary's Appointed Actuary to either policyholders or shareholders by the end of the financial year, are classified as part of the insurance contract liabilities.

Change in accounting policy

Previously, under the FRS financial reporting framework, the insurance subsidiary recognises unallocated surplus and AFS reserves of non-DPF insurance contracts as part of the actuarial liabilities as required under BNM guidelines.

Following the transition from FRS to MFRS and in accordance with MFRS 4 "Insurance contracts" the Group and the insurance subsidiary classify the unallocated surplus and AFS reserves of non-DPF insurance contracts as equity of the Group and the insurance subsidiary.

The change in accounting policy has been accounted for retrospectively and the financial impact is set out in Note 54 to the financial statements.

(c) Fair value adjustment on AFS financial asset

Where unrealised gains or losses arise on AFS financial assets of DPF contracts, the adjustment to the insurance contract liabilities, equal to the effect of that the realisation of those gains or losses at the end of the reporting periods would have on the liabilities, is recognised directly in other comprehensive income.

T LIFE INSURANCE CONTRACT

The valuation of the insurance liability arising from policy benefits made under life insurance contracts is the insurance subsidiary's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be materially different than the assumptions made by the insurance subsidiary. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the insurance contract liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

U INSURANCE PRODUCT CLASSIFICATION

An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The insurance subsidiary defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the insurance subsidiary are considered insurance contracts as at the date of this statement of financial position.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Contracts in the participating fund are classified as insurance contracts with DPF and contracts in the non-participating fund are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

V FAMILY TAKAFUL FUND

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of Hong Leong MSIG Takaful Berhad ("HLMT").

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardhul Hassan.

W GENERAL TAKAFUL FUND

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of HLMT. The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions and claims incurred. Underwriting deficit will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

X INCOME AND DEFERRED TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associated company and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is a intention to settle the balances on a net basis.

Y RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statements of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

Z RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

Z RECOGNITION OF FEES AND OTHER INCOME (continued)

Dividends from financial assets held-for-trading, financial investments available-for-sale and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Net brokerage income, margin income, rollover fees, nominees service and handling charges are recognised on an accrual basis.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Rental income is recognised on an accrual basis.

(a) Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management fees are borne by the family takaful and general takaful funds respectively in the revenue accounts of Hong Leong MSIG Takaful ("HLMT") at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by HLMT's Shariah Advisory Committee and agreed between the participants and HLMT.

These are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

(b) Upfront wakalah fee is recognised as income upon issuance of the certificate

Deferred wakalah fee is allocated to the Shareholders' fund upon monthly allocation of tabarru/donation charge from participants' funds to the risk fund and is deferred as a liability under "deferred wakalah fee reserve". Deferred wakalah fee is recognised as income based on the recommendation by the appointed actuary when the risk fund is in a surplus position after an annual actuarial valuation of the risk fund at the end of the financial year.

(c) Contribution - general takaful fund

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Inward treaty retakaful contribution is recognised on the basis of periodic advices received from ceding insurers/takaful operator. Contribution from direct business are recognised during the financial year upon issuance of takaful certificate.

(d) Premium/contribution - life insurance and family takaful fund

Premiums/contributions are recognised as soon as the amount of premiums/contributions can be reliably measured. First premium premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward reinsurance premiums/retakaful contributions are recognised in the same accounting period as the original policies certificates to which the reinsurance/retakaful relates.

AA INSURANCE COMMISSION AND AGENCY EXPENSES

Commission and agency expenses, which costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the financial year in which they are incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

AB IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Company use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of income. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statements of income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

AB IMPAIRMENT OF FINANCIAL ASSETS (continued)

(a) Assets carried at amortised cost (continued)

Change in accounting policy

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

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

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

The change in accounting policy has been accounted for retrospectively and the financial impact arising from the full adoption of MFRS 139 is set out in Note 54 to the financial statements.

(b) Assets classified as available-for-sale

The Group and the Company assess at each date of the statements of financial position whether there is objective evidence that a financial investment or a group of financial investment is impaired. The criteria the Group and the Company use to determine that there is objective evidence of impairment loss include indications that the issuer is experiencing significant financial difficulty, the probability that the issuer will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in the market or economic conditions that correlate with defaults on the assets. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.

If any such evidence exists for available-for-sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from other comprehensive income and recognised in the statements of income. Impairment losses recognised in the statements of income on equity instruments are not reversed through the statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statements of income, the impairment loss is reversed through the statements of income.

AC EMPLOYEE BENEFITS

Short-term employee benefits

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

AC EMPLOYEE BENEFITS (continued)

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Company contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

A trust has been set up for the Employee Share Option Scheme ("ESOS") 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 stocks from the open market for the purposes of this trust.

In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the profit or loss when incurred in accordance with accounting standards.

Details of treasury shares are as discussed in Note 31 of the financial statements.

AD CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

AD CURRENCY TRANSLATIONS (continued)

(b) Foreign currency transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

AE CASH AND CASH EQUIVALENTS

Cash and cash equivalents are consist of cash and bank balances and short-term funds.

AF IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

AG SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

AH NON-CURRENT ASSETS/DISPOSAL GROUPS HELD-FOR-SALE

Non-current assets/disposal groups are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AI FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statements of income.

AJ SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares are recognised as a liability when the shareholders' right to receive the dividend is established.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

AK TREASURY SHARES

The Company has repurchased its shares and designated as treasury shares in accordance with MFRS 132 – Financial Statements: Presentation. Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 31 of the financial statements.

AL SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements ("repurchase agreements") are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

AM CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group does not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AN TRUST ACTIVITIES

The Group acts as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013

1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements. There were no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Cash and balances with banks and other financial institutions	**1,625,025**	1,375,234	1,938,409
Money at call and deposit placements maturing within one month	**18,172,555**	19,745,805	30,073,024
	19,797,580	21,121,039	32,011,433

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Cash and balances with banks and other financial institutions	**142**	300	629
Money at call and deposit placements maturing within one month	**10,520**	40,600	114,050
	10,662	40,900	114,679

Included in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM15,482,000 (30 June 2012: RM16,420,000; 1 July 2011: RM10,210,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Bank Negara Malaysia ("BNM")	**2,404,494**	954,422	-
Licensed banks	**2,277,718**	2,089,529	3,551,572
Licensed investment banks	**1,362,059**	317,441	60,204
Other financial institutions	**1,110,577**	1,173,228	1,601,619
	7,154,848	4,534,620	5,213,395

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Licensed banks	**11,677**	-	-

As at 30 June 2013, the Company has placed a fixed deposit of RM9.3 million with a bank for the RM100 million in revolving credit, RM150 million and RM200 million term loan facilities and has agreed not to withdraw the fixed deposits during the tenure. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

4 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Money market instruments			
Bank Negara Malaysia bills	**4,961,614**	11,244,208	767,821
Malaysian Government treasury bills	**372,834**	253,388	49,185
Malaysian Government securities	**855,590**	240,511	118,769
Malaysian Government investment certificates	**692,661**	2,177,642	388,068
Bankers' acceptances and Islamic accepted bills	**3,456,639**	4,204,306	3,944,863
Negotiable instruments of deposit	**4,478,746**	3,445,966	479,071
Commercial papers	**-**	-	93,847
Cagamas bonds	**21,586**	72,214	-
	14,839,670	21,638,235	5,841,624
Quoted securities			
Shares quoted in Malaysia	**462,830**	363,853	415,106
Shares quoted outside Malaysia	**260,463**	306,697	182,083
Unit trust investments	**44,496**	26,029	62,288
Loan stocks in Malaysia	**-**	500	525
Warrants quoted in Malaysia	**29**	486	-
	15,607,488	22,335,800	6,501,626
Unquoted securities			
Foreign currency bonds	**246,890**	390,858	383,748
Private and Islamic debt securities	**949,942**	613,482	262,606
Total financial assets held-for-trading	**16,804,320**	23,340,140	7,147,980

	The Company		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Money market instruments			
Unit trust investments	**-**	-	37,814

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Money market instruments			
Government treasury bills	**371,911**	375,160	364,156
Bank Negara Malaysia sukuk	**-**	-	114,695
Bank Negara Malaysia monetary notes	**-**	-	57,117
Bank Negara Malaysia bills	**-**	-	76,353
Malaysian Government securities	**455,835**	415,728	1,047,502
Malaysian Government investment certificates	**3,104,568**	1,369,664	1,911,745
Islamic negotiable instrument debt securities	**-**	-	28,833
Other Government securities	**587,898**	196,949	49,857
Bankers acceptance	**-**	-	44,853
Cagamas bonds	**769,827**	633,775	146,371
Negotiable instruments of deposit	**142,045**	11,826	522,051
	5,432,084	3,003,102	4,363,533
Quoted securities			
Shares quoted in Malaysia	**844,392**	675,201	669,933
Shares quoted outside Malaysia	**229,932**	277,129	301,763
Warrants quoted in Malaysia	**93**	122	-
Loan stocks quoted in Malaysia	**7,437**	6,420	1,112
Wholesale fund	**1,499,900**	999,800	-
Unit trust investments	**2,914,645**	217,574	127,900
	10,928,483	5,179,348	5,464,241
Unquoted securities			
Shares in Malaysia	**334,588**	317,351	234,025
Shares outside Malaysia	**3,450**	3,468	3,298
Private and Islamic debt securities	**6,465,076**	6,409,800	4,100,948
Foreign currency bonds in Malaysia	**2,649,744**	2,228,512	172,603
Foreign currency bonds outside Malaysia	**2,002,628**	1,258,077	736,778
Investment-linked funds	**300**	4,867	-
	22,384,269	15,401,423	10,711,893
Allowance for impairment losses	**(72,561)**	(50,448)	(25,977)
Total financial investments available-for-sale	**22,311,708**	15,350,975	10,685,916

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (continued)

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2013 RM'000	2012 RM'000
As at 1 July		
- as previously reported	**67,815**	25,977
- effect of adopting MFRS	**(17,367)**	-
As restated	**50,448**	25,977
Allowance made during the financial year	**22,113**	24,471
As at 30 June	**72,561**	50,448

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Money market instruments			
Malaysian Government securities	**1,616,218**	1,867,919	3,577,908
Malaysian Government investment certificates	**2,309,047**	1,091,531	1,128,464
Cagamas bonds	**86,879**	258,341	181,261
Negotiable instruments of deposit	**5,833**	20,593	2,677,278
Other government securities	**2,541**	151,958	14,043
	4,020,518	3,390,342	7,578,954
Unquoted securities			
Loan stocks	**10,899**	11,781	2,953
Private and Islamic debt securities	**550,634**	664,056	603,086
Foreign currency bonds outside Malaysia	**192,912**	211,511	66,391
Unquoted bonds	**155,507**	204,884	-
Investment in preference shares	**52,000**	52,000	-
	4,982,470	4,534,574	8,251,384
Allowance for impairment losses	**(165,800)**	(169,133)	(203,756)
Total financial investments held-to-maturity	**4,816,670**	4,365,441	8,047,628

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (continued)

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2013 RM'000	**2012 RM'000**
As at 1 July	**169,133**	203,756
Amount transferred from Individual assessment allowance	**14,211**	-
Allowance made during the financial year	**-**	1,790
Amount written back in respect of recoveries	**(17,544)**	(36,413)
As at 30 June	**165,800**	169,133

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING

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

The Group has undertaken fair value hedges on interest rate risk of RM1,205,000,000 (30 June 2012: RM2,553,000,000; 1 July 2011: RM Nil) on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges at 30 June 2013 amounted to RM1,127,483 (fair value loss at 30 June 2012: RM52,781,312; 1 July 2011: RM NIL). The total fair value gain of the said interest rate swaps related to these hedges for the financial year ended 30 June 2013 amounted to RM29,825,091 (fair value loss for the financial year ended 30 June 2012: RM41,134,058).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(a) The maturity structure of loans, advances and financing is as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Maturing within:			
- one year	**27,661,559**	26,030,349	23,115,360
- one year to three years	**7,418,571**	7,140,836	5,753,992
- three years to five years	**9,087,744**	9,388,333	8,732,468
- over five years	**53,886,064**	48,953,701	47,210,756
Gross loans, advances and financing	**98,053,938**	91,513,219	84,812,576

(b) The loans, advances and financing are disbursed to the following types of customers:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**293,310**	528,174	718,366
Domestic business enterprises:			
- small medium enterprises	**14,543,322**	12,068,244	12,199,764
- others	**19,613,129**	19,938,097	15,871,681
Government and statutory bodies	**23,538**	26,256	28,898
Individuals	**59,471,203**	56,260,326	53,214,510
Other domestic entities	**231,638**	29,549	30,678
Foreign entities	**3,877,798**	2,662,573	2,748,679
Gross loans, advances and financing	**98,053,938**	91,513,219	84,812,576

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(c) Loans, advances and financing analysed by their interest rate/profit rate sensitivity are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Fixed rate			
- Housing and shop loans/financing	**3,124,510**	2,999,685	3,467,141
- Hire purchase receivables/financing	**17,035,642**	16,843,527	17,158,926
- Credit card	**4,088,083**	4,233,382	4,262,859
- Other fixed rate loan/financing	**3,839,920**	4,376,474	4,229,456
Variable rate			
- Base lending rate plus	**56,595,468**	51,203,453	43,544,696
- Cost plus	**12,724,701**	11,600,563	11,634,807
- Other variable rates	**645,614**	256,135	514,691
Gross loans, advances and financing	**98,053,938**	91,513,219	84,812,576

(d) Loans, advances and financing analysed by their economic purposes are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(e) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
In Malaysia	**95,329,667**	89,572,368	82,990,260
Outside Malaysia			
- Singapore operations	**2,480,476**	1,767,575	1,807,973
- Hong Kong operations	**-**	20,488	-
- Vietnam operations	**243,795**	152,788	14,343
Gross loans, advances and financing	**98,053,938**	91,513,219	84,812,576

(f) Impaired loans, advances and financing analysed by their economic purposes are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

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

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

(h) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
In Malaysia	**1,330,767**	1,490,699	1,879,750
Outside Malaysia			
- Singapore operations	**29,438**	42,571	45,025
- Vietnam operations	**361**	-	-
	1,360,566	1,533,270	1,924,775

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

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

		The Group	
	Note	2013 RM'000	2012 RM'000
Collective assessment allowance			
As at 1 July			
- as previously reported		**1,885,320**	1,791,958
- effect of full adoption of MFRS 139	54	**(382,868)**	(254,846)
As restated		**1,502,452**	1,537,112
Net allowance made during the financial year		**183,785**	334,453
Amount transferred (to)/from individual assessment		**(4,800)**	55,688
Amount written off		**(402,347)**	(416,451)
Unwinding income		**(18,751)**	(8,819)
Exchange differences		**(38)**	469
As at 30 June		**1,260,301**	1,502,452
Individual assessment allowance			
As at 1 July		**543,234**	797,739
Net allowance made during the financial year		**190,973**	61,291
Amount transferred from/(to) collective assessment allowance		**4,800**	(55,688)
Amount transferred to allowance for impairment losses on securities		**(14,211)**	-
Amount written back in respect of recoveries		**(90,853)**	(139,313)
Amount written off		**(95,906)**	(116,873)
Unwinding income		**(11,524)**	(9,716)
Exchange differences		**(243)**	5,794
As at 30 June		**526,270**	543,234

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's stockbroking and futures clients, amount due from brokers and contra losses and trade receivables from insurance clients.

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Performing accounts	**256,080**	268,753	236,185
Impaired accounts	**805**	1,403	12,589
	256,885	270,156	248,774
Less: Allowances for bad and doubtful debts			
- individual assessment allowance	**(378)**	(752)	(12,381)
- collective assessment allowance	**(33)**	(144)	(7)
	256,474	269,260	236,386

Movements in the allowances for losses on clients' and brokers' balances are as follows:

		The Group	
	Note	2013 RM'000	2012 RM'000
Individual assessment allowance			
As at 1 July		**752**	12,381
Allowance made during the financial year		**352**	107
Allowance written back during the financial year		**(640)**	(887)
Amount written off during the financial year		**(86)**	(10,849)
As at 30 June		**378**	752
Collective assessment allowance			
As at 1 July			
- as previously reported		**-**	-
- effect of full adoption of MFRS 139	54	**144**	7
As restated		**144**	7
Allowance (written back)/made during the financial year		**(111)**	137
As at 30 June		**33**	144

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

9 OTHER RECEIVABLES

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Foreclosed properties	**1,112**	1,338	1,458
Sundry debtors and other prepayments	**159,995**	189,173	753,840
Treasury related receivables	**136,362**	220,591	62,352
Other receivables (net of allowance for impairment loss on debts of RM345,000 (30 June 2012: RM Nil; 1 July 2011: RM Nil))	**706,100**	249,148	337,954
	1,003,569	660,250	1,155,604

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Sundry debtors and other prepayments	**883**	543	100
Other receivables	**2,124**	1,847	2,454
	3,007	2,390	2,554

10 STATUTORY DEPOSITS WITH CENTRAL BANKS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Statutory deposits with Bank Negara Malaysia (BNM) *	**3,445,561**	3,350,987	2,220,366
Statutory deposits with the National Bank of Cambodia #	**11,848**	-	-
	3,457,409	3,350,987	2,220,366

* The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined at set percentages of total eligible liabilities.

The statutory deposits maintained by Hong Leong Bank (Cambodia) PLC ("HLBCAM"), subsidiary of Hong Leong Bank Berhad, with the National Bank of Cambodia ("NBC") in compliance with Article 5 of NBC Parkas No. B7-01-136, the amounts of which are determined as set percentages of HLBCAM issued share capital.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Subsidiary companies			
Unquoted shares at cost	**411,393**	556,053	513,282
Shares quoted in Malaysia at cost	**14,693,955**	14,684,479	13,024,660
	15,105,348	15,240,532	13,537,942

		The Company	
	Note	2013 RM'000	2012 RM'000
As at 1 July			
- as previously reported		**4,095,940**	2,393,350
- effect of adopting MFRS	54	**11,144,592**	11,144,592
As restated		**15,240,532**	13,537,942
Add: Subscription of rights shares of a subsidiary		**-**	1,659,818
Add: Subscription of shares in a subsidiary		**9,477**	176,786
Add: Writeback of impairment losses		**1,056**	-
Less: Redemption of shares		**(145,717)**	(134,014)
As at 30 June		**15,105,348**	15,240,532

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2013 are as follows:

Name of companies	Place of incorporation	Effective percentage of ownership			Principal activities
		30 June 2013 %	**30 June 2012 %**	**1 July 2011 %**	
(a) HLA Holdings Sdn Bhd and its subsidiary companies:	Malaysia	**100.00**	100.00	100.00	Investment holding
(i) Hong Leong Assurance Berhad and its subsidiary companies:	Malaysia	**70.00**	70.00	70.00	Life insurance business
- Allstate Health Benefits Sdn Bhd*	Malaysia	**-**	-	70.00	Dissolved
- Unincorporated trust for ESOSΩ*	Malaysia	**-**	-	-	Special purpose vehicle for ESOS
(ii) Hong Leong Insurance (Asia) Limited*	Hong Kong	**100.00**	100.00	100.00	General insurance business
(iii) Hong Leong MSIG Takaful Berhad	Malaysia	**65.00**	65.00	65.00	Takaful business
(iv) HLAH Assets Sdn Bhd	Malaysia	**100.00**	100.00	100.00	In member's voluntary liquidation
(v) RC Holdings Sdn Bhd	Malaysia	**100.00**	100.00	-	Investment holding
(vi) HL Assurance Pte. Ltd.	Singapore	**100.00**	-	-	General insurance business
(b) Hong Leong Equities Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
(c) HLFG Assets Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
(d) Wing Trade Investments Limited*	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
(e) Unincorporated trust for ESOSΩ*	Malaysia	**-**	-	-	Special purpose vehicle for ESOS
(f) HLFG Principal Investments (L) Limited*	Labuan	**100.00**	-	-	Investment holding
(g) Hong Leong Capital Berhad and its subsidiary companies:	Malaysia	**84.97**	83.23	83.23	Investment holding
(i) HLG Asset Management Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
(ii) HLG Securities Sdn Bhd	Malaysia	**84.97**	83.23	83.23	Investment holding
(iii) HLG Capital Markets Sdn Bhd and its subsidiary company:	Malaysia	**84.97**	83.23	83.23	Investment holding
- HLG Principal Investments (L) Limited	Labuan	**84.97**	83.23	83.23	Dormant

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2013 are as follows: (continued)

	Name of companies	Place of incorporation	Effective percentage of ownership			Principal activities
			30 June 2013 %	**30 June 2012 %**	**1 July 2011 %**	
(iv)	Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) and its subsidiary companies:	Malaysia	**84.97**	83.23	83.23	Securities and stock broking, investment banking and futures broking
	- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	Nominee and custodian services for Malaysian clients
	- HLG Nominee (Asing) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	Nominee and custodian services for foreign clients
	- RC Research Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	- RC Nominees (Asing) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	- RC Nominees (Tempatan) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	- ECS Jaya (1969) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	Dormant
	- MIMB Nominees (Tempatan) Sendirian Berhad	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	- MIMB Nominees (Asing) Sendirian Berhad	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	- HLIB Nominees (Tempatan) Sdn Bhd (formerly known as M.I.T. Nominees (Tempatan) Sdn Bhd)	Malaysia	**84.97**	83.23	83.23	Nominee services
	- HLIB Nominees (Asing) Sdn Bhd (formerly known as F.I.T. Nominees (Asing) Sdn Bhd)	Malaysia	**84.97**	83.23	83.23	Nominee services
	- SSSB Jaya (1987) Sdn Bhd and its subsidiary companies:	Malaysia	**84.97**	83.23	83.23	In creditors' voluntary liquidation
	• SSSB Nominees (Tempatan) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
	• SSSB Nominees (Asing) Sdn Bhd	Malaysia	**84.97**	83.23	83.23	In member's voluntary liquidation
(v)	HLG Futures Sdn Bhd	Malaysia	**84.97**	83.23	83.23	Ceased operation
(vi)	Hong Leong Asset Management Bhd and its subsidiary company:	Malaysia	**84.97**	83.23	83.23	Sales of unit trusts, unit trust management and fund management
	- HL Asset Management Pte Ltd	Singapore	**84.97**	83.23	83.23	Dormant

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2013 are as follows: (continued)

Name of companies			Place of incorporation	Effective percentage of ownership			Principal activities
				30 June 2013 %	30 June 2012 %	1 July 2011 %	
	(vii)	Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad)	Malaysia	**84.97**	83.23	83.23	Ceased operation on 29 September 2012
	(viii)	Unincorporated trust for ESOS$^{\Omega *}$	Malaysia	**-**	-	-	Special purpose vehicle for ESOS
(h)	Hong Leong Bank Berhad and its subsidiary companies:		Malaysia	**65.85**	66.13	66.04	Licensed bank
	(i)	Hong Leong Islamic Bank Berhad	Malaysia	**65.85**	66.13	66.04	Islamic banking business and related financial services
	(ii)	Hong Leong Bank Vietnam Limited+	Vietnam	**65.85**	66.13	66.04	Commercial banking business
	(iii)	HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	**65.85**	66.13	66.04	Investment holding
		- Gensource Sdn Bhd and its subsidiary company:	Malaysia	**65.85**	66.13	66.04	Investment holding
		• Pelita Terang Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Dormant
		- WTB Corporation Sdn Bhd and its subsidiary companies:	Malaysia	**65.85**	66.13	66.04	Investment holding
		• Wah Tat Nominees (Tempatan) Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Agent and nominee for Malaysian clients
		• Wah Tat Nominees (Asing) Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Agent and nominee for foreign clients
		- Chew Geok Lin Finance Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Investment holding
		- Hong Leong Leasing Sdn Bhd*	Malaysia	**65.85**	66.13	66.04	Investment holding
		- HL Leasing Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Investment holding
		- HLB Realty Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Real property investment and investment holding
	(iv)	HLB Nominees (Tempatan) Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Agent and nominee for Malaysian clients
	(v)	HL Bank Nominees (Singapore) Pte Ltd+	Singapore	**65.85**	66.13	66.04	Agent and nominee for clients
	(vi)	HLB Nominees (Asing) Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Agent and nominee for foreign clients
	(vii)	HLB Trade Services (Hong Kong) Limited+	Hong Kong	**65.85**	66.13	66.04	Ceased operations

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2013 are as follows: (continued)

	Name of companies	Place of incorporation	Effective percentage of ownership			Principal activities
			30 June 2013 %	30 June 2012 %	1 July 2011 %	
(viii)	HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	**65.85**	66.13	66.04	Holding of or dealings in offshore securities and investment holding
	- Promino Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Ceased operations
(ix)	Prominic Berhad	Malaysia	**65.85**	66.13	66.04	To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities
(x)	Promitol Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Ceased operations
(xi)	EFB Berhad	Malaysia	**-**	66.13	66.04	Dissolved
(xii)	EB Nominees (Tempatan) Sendirian Berhad	Malaysia	**65.85**	66.13	66.04	Nominee services
(xiii)	EB Nominees (Asing) Sendirian Berhad	Malaysia	**65.85**	66.13	66.04	Nominee services
(xiv)	EB Realty Sendirian Berhad	Malaysia	**65.85**	66.13	66.04	Property investment
(xv)	OBB Realty Sdn Bhd	Malaysia	**65.85**	66.13	66.04	Property investment
(xvi)	Oriental Nominee (Tempatan) Sdn Bhd	Malaysia	**-**	66.13	66.04	Dissolved
(xvii)	OFB Berhad	Malaysia	**65.85**	66.13	66.04	In member's voluntary liquidation
(xviii)	CFB Asa Berhad	Malaysia	**65.85**	66.13	66.04	In member's voluntary liquidation
(xix)	CFB Nominee (Tempatan) Sdn Bhd	Malaysia	**-**	66.13	66.04	Dissolved
(xx)	PFB Asa Berhad	Malaysia	**-**	66.13	66.04	Dissolved
(xxi)	Perkasa Nominees (Tempatan) Sdn Bhd	Malaysia	**-**	66.13	66.04	Dissolved
(xxii)	Hong Leong Bank (Cambodia) PLC[+]	Cambodia	**65.85**	-	-	Commercial banking business
(xxiii)	Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	-	Special purpose vehicle for ESOS
(xxiv)	Famehub Quest Sdn Bhd[Ω*]	Malaysia	**-**	-	-	Special purpose vehicle

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2013 are as follows: (continued)

	Name of companies	Place of incorporation	Effective percentage of ownership			Principal activities
			30 June 2013 %	30 June 2012 %	1 July 2011 %	
(xxv)	Famehub Capital Sdn Bhd[Ω*]	Malaysia	**-**	-	-	Special purpose vehicle
(xxvi)	Allegra Capital Investments Ltd[Ω@*]	British Virgin Islands	**-**	-	-	Special purpose vehicle
(xxvii)	GoldPearl International Ltd[Ω@*]	British Virgin Islands	**-**	-	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers
\+ Audited by member firms of PricewaterhouseCoopers International which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia
Ω Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities
@ Compartment subsidiary consolidated pursuant to IC 112 – Consolidation: Special Purpose Entities

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Unquoted shares outside Malaysia, at cost	**1,565,151**	1,565,151	1,565,151
Cumulative share of results, net of dividend received	**893,516**	645,347	401,034
Cumulative share of changes in other comprehensive income	**(2,069)**	(1,419)	(1,234)
	2,456,598	2,209,079	1,964,951

(a) The Group's share of income and expenses of the associated companies are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Revenue	**1,403,321**	1,145,842	661,245
Profit after taxation	**322,542**	268,994	250,854

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(b) The Group's share of assets and liabilities of the associated companies are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Total assets	**25,034,440**	21,021,097	15,970,397
Total liabilities	**23,004,799**	19,269,327	14,478,819

Details of the associated companies held by the Group are as follows:

Name	Principal activities	Percentage (%) of equity held		
		30 June 2013 %	30 June 2012 %	1 July 2011 %
Bank of Chengdu Co., Ltd	Commercial banking	**20**	20	20
MSIG Insurance (Malaysia) Bhd	Insurance	**30**	30	30
Community CSR Sdn Bhd	Investment holding	**20**	20	20

13 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Unquoted shares outside Malaysia, at cost	**76,711**	76,711	76,711
Cumulative share of results	**3,234**	160	(1,459)
	79,945	76,871	75,252

(a) The Group's share of income and expenses of the jointly controlled entity are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Revenue	**13,747**	6,749	2,188
Profit after taxation	**3,074**	1,619	(771)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

13 INVESTMENT IN JOINTLY CONTROLLED ENTITY (continued)

(b) The Group's share of assets and liabilities of the jointly controlled entity are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Total assets	**142,531**	79,105	72,101
Total liabilities	**58,516**	620	244

Details of the jointly controlled entity held by the Group are as follows:

Name	Principal activities	Percentage (%) of equity held		
		30 June 2013 %	30 June 2012 %	1 July 2011 %
Sichuan Jincheng Consumer Finance Limited Company	Consumer finance	**49**	49	49

14 PROPERTY AND EQUIPMENT

The Group 2013	Note	Land and building* RM'000	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
As at 1 July		**667,339**	**188,456**	**123,072**	**5,305**	**53,713**	**1,037,885**
Exchange differences		**(286)**	**(412)**	**-**	**-**	**(92)**	**(790)**
Reclassification to intangible assets	17	**-**	**45**	**98**	**-**	**(1,170)**	**(1,027)**
Additions		**-**	**71,847**	**19,752**	**233**	**37,015**	**128,847**
Disposals/write-off		**-**	**(2,963)**	**(2,841)**	**(827)**	**-**	**(6,631)**
Depreciation charge during the financial year		**(11,385)**	**(69,191)**	**(36,211)**	**(1,752)**	**-**	**(118,539)**
As at 30 June		**655,668**	**187,782**	**103,870**	**2,959**	**89,466**	**1,039,745**
As at 30 June 2013							
Cost		**746,155**	**863,525**	**396,987**	**13,640**	**89,466**	**2,109,773**
Accumulated depreciation		**(90,487)**	**(675,743)**	**(293,117)**	**(10,681)**	**-**	**(1,070,028)**
Net book value as at 30 June 2013		**655,668**	**187,782**	**103,870**	**2,959**	**89,466**	**1,039,745**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

14 PROPERTY AND EQUIPMENT (continued)

* Land and building consists of the following:

The Group	Freehold land	Freehold building	Long-term leasehold land	Long-term leasehold building	Short-term leasehold land	Short-term leasehold building	Total
2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 July	153,858	273,058	23,649	211,887	2,835	2,052	667,339
Exchange differences	-	-	-	(286)	-	-	(286)
Depreciation charge during the financial year	-	(3,043)	(435)	(7,692)	(210)	(5)	(11,385)
As at 30 June	153,858	270,015	23,214	203,909	2,625	2,047	655,668
As at 30 June 2013							
Cost	153,858	322,766	26,257	235,059	5,271	2,944	746,155
Accumulated depreciation	-	(52,751)	(3,043)	(31,150)	(2,646)	(897)	(90,487)
Net book value as at 30 June 2013	153,858	270,015	23,214	203,909	2,625	2,047	655,668

The Group		Land and building*	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Capital work-in-progress	Total
2012	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 July		679,531	166,964	118,561	8,941	36,916	1,010,913
Exchange differences		2,633	37	(42)	16	57	2,701
Reclassification to intangible assets	17	-	405	23	-	(3,801)	(3,373)
Reclassification		1,399	(2,393)	(6,045)	(146)	(347)	(7,532)
Additions		-	94,385	45,890	750	20,888	161,913
Disposals/write-off		(4,679)	(2,269)	(1,270)	(1,413)	-	(9,631)
Depreciation charge during the financial year		(11,545)	(68,673)	(34,045)	(2,843)	-	(117,106)
As at 30 June		667,339	188,456	123,072	5,305	53,713	1,037,885
As at 30 June 2012							
Cost		746,429	810,328	400,492	17,745	53,713	2,028,707
Accumulated depreciation		(79,090)	(621,872)	(277,420)	(12,440)	-	(990,822)
Net book value as at 30 June 2012		667,339	188,456	123,072	5,305	53,713	1,037,885
Net book value as at 1 July 2011		679,531	166,964	118,561	8,941	36,916	1,010,913

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

14 PROPERTY AND EQUIPMENT (continued)

* Land and building consists of the following: (continued)

The Group	Freehold land	Freehold building	Long-term leasehold land	Long-term leasehold building	Short-term leasehold land	Short-term leasehold building	Total
2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 July	153,858	274,585	24,104	221,882	3,045	2,057	679,531
Exchange differences	-	-	-	2,633	-	-	2,633
Reclassification	-	6,457	-	(5,058)	-	-	1,399
Disposals	-	(4,679)	-	-	-	-	(4,679)
Depreciation charge during the financial year	-	(3,305)	(455)	(7,570)	(210)	(5)	(11,545)
As at 30 June	153,858	273,058	23,649	211,887	2,835	2,052	667,339
As at 30 June 2012							
Cost	153,858	322,766	26,256	235,334	5,271	2,944	746,429
Accumulated depreciation	-	(49,708)	(2,607)	(23,447)	(2,436)	(892)	(79,090)
Net book value as at 30 June 2012	153,858	273,058	23,649	211,887	2,835	2,052	667,339

The Company	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Total
2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 July	**74**	**643**	**375**	**1,092**
Additions	**16**	**129**	**6**	**151**
Disposal/write-off	**(4)**	**-**	**-**	**(4)**
Depreciation charge during the financial year	**(36)**	**(126)**	**(179)**	**(341)**
As at 30 June	**50**	**646**	**202**	**898**
As at 30 June 2013				
Cost	**497**	**1,533**	**3,072**	**5,102**
Accumulated depreciation	**(447)**	**(887)**	**(2,870)**	**(4,204)**
Net book value as at 30 June 2013	**50**	**646**	**202**	**898**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

14 PROPERTY AND EQUIPMENT (continued)

The Company 2012	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
As at 1 July	47	716	814	1,577
Additions	65	43	-	108
Depreciation charge during the financial year	(38)	(116)	(439)	(593)
As at 30 June	74	643	375	1,092
As at 30 June 2012				
Cost	491	1,404	3,069	4,964
Accumulated depreciation	(417)	(761)	(2,694)	(3,872)
Net book value as at 30 June 2012	74	643	375	1,092
Net book value as at 1 July 2011	47	716	814	1,577

15 INVESTMENT PROPERTIES

	The Group	
	2013 RM'000	2012 RM'000
Fair value		
As at 1 July/30 June	**1,680**	1,680
The analysis of investment properties is as follows:		
Leasehold land and building	**1,680**	1,680

The fair value of the properties was estimated at RM1,680,000 (30 June 2012: RM1,680,000; 1 July 2011: RM1,680,000) based on open market valuation by an independent professional valuer, Messrs Rahim & Co International Property Consultants.

The following amounts have been reflected in the statements of income:

	The Group	
	2013 RM'000	2012 RM'000
Rental income	**82**	82
Operating expenses arising from investment properties that generated the rental income	**3**	6

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

16 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2013 RM'000	2012 RM'000
As at 1 July/30 June	**2,410,644**	2,410,644

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating-units ("CGUs"):

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
CGU			
Commercial banking	**2,246,484**	2,246,484	2,246,484
Investment banking and asset management	**99,803**	99,803	99,803
Insurance	**64,357**	64,357	64,357
	2,410,644	2,410,644	2,410,644

Impairment test for goodwill

The recoverable amount of the CGUs as at 30 June 2013 are determined based on the fair value less cost to sell.

(i) Commercial banking CGU

The recoverable amount of the Banking CGU has been determined using the quoted market prices as at 30 June 2013 by Bursa Malaysia Securities Berhad.

(ii) Investment banking and asset management CGU

The recoverable amount of the investment banking and asset management CGU has been determined using the quoted market prices as at 30 June 2013 by Bursa Malaysia Securities Berhad.

(iii) Insurance CGU

The fair value of the Insurance CGU is derived using the actuarial valuation for the Life insurance business. The actuarial valuation of the Life insurance fund is based on the latest position as at statements of financial position date, using the most recent available assumptions at the point of assessment. Such assumptions are derived from historical experience of the insurer and current industry trends and positions.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

16 GOODWILL ARISING ON CONSOLIDATION (continued)

(iii) Insurance CGU (continued)

The fair value has been calculated based on the set of assumptions outlined below:-

(a) The present value of future shareholders' earnings is discounted at 11%.
(b) Future earnings are projected based on actuarial assumptions that are determined in accordance with generally accepted actuarial best practice and are appropriate to the business and risk profile of the business.
(c) Allowance for tax of 8% has been made on the assumptions that the application of current tax legislation and tax rates will continue unchanged.
(d) The current actuarial reserving methods and bases have been assumed to continue unaltered.
(e) The current Risk-Based Capital requirement has been assumed to continue unaltered.
(f) Required risk based capital are at the management's capital adequacy ratio target level.

It should be recognised that the actual future results will differ from those stated above, from any future changes in the operations and economic environment and natural variation in experience. There is no warranty that the future experience will be in line with the assumptions made.

17 INTANGIBLE ASSETS

The Group		Core deposit	Customer relationship	Computer software	Total
2013	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation					
As at 1 July		152,434	127,426	505,918	785,778
Additions		-	-	28,356	28,356
Disposals/write-off		-	-	(2,946)	(2,946)
Exchange fluctuation		-	-	(110)	(110)
Reclassifications from property and equipment	14	-	-	1,027	1,027
As at 30 June		152,434	127,426	532,245	812,105
Accumulated amortisation and impairment					
As at 1 July		25,406	14,866	291,448	331,720
Amortisation during the financial year		21,776	12,743	67,378	101,897
Disposals/write-off		-	-	(2,403)	(2,403)
Exchange fluctuation		-	-	(16)	(16)
As at 30 June		47,182	27,609	356,407	431,198
Net book value as at 30 June 2013		105,252	99,817	175,838	380,907

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

17 INTANGIBLE ASSETS (continued)

The Group		Core deposit	Customer relationship	Computer software	Total
2012	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation					
As at 1 July		152,434	127,426	357,758	637,618
Additions		-	-	145,876	145,876
Disposals/write-off		-	-	(1,687)	(1,687)
Exchange fluctuation		-	-	598	598
Reclassifications from property and equipment	14	-	-	3,373	3,373
As at 30 June		152,434	127,426	505,918	785,778
Accumulated amortisation and impairment					
As at 1 July		3,629	2,124	248,879	254,632
Amortisation during the financial year		21,777	12,742	43,144	77,663
Disposals/write-off		-	-	(768)	(768)
Exchange fluctuation		-	-	193	193
As at 30 June		25,406	14,866	291,448	331,720
Net book value as at 30 June 2012		127,028	112,560	214,470	454,058
Net book value as at 1 July 2011		148,805	125,302	108,879	382,986

	Computer software		
The Company	**30 June 2013 RM'000**	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Cost or valuation			
As at 1 July	**518**	517	527
Additions	**3**	12	3
Disposals/write-off	**(2)**	(11)	(13)
As at 30 June	**519**	518	517
Amortisation and impairment			
As at 1 July	**503**	505	403
Amortisation during the financial year	**7**	9	115
Disposals/write-off	**(2)**	(11)	(13)
As at 30 June	**508**	503	505
Net book value as at 30 June	**11**	15	12

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

17 INTANGIBLE ASSETS (continued)

Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flow to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earning method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cashflows was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 5 to 8 years respectively.

18 DEPOSITS FROM CUSTOMERS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Fixed deposits	**73,878,772**	75,220,529	68,788,096
Negotiable instruments of deposit	**8,147,193**	5,828,928	5,584,465
	82,025,965	81,049,457	74,372,561
Demand deposits	**17,514,256**	14,644,399	14,893,230
Savings deposits	**14,439,487**	14,815,602	12,515,496
Short-term corporate placements	**9,659,336**	12,311,878	12,561,243
Others	**319,661**	395,466	406,448
	123,958,705	123,216,802	114,748,978

(a) Maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Due within:			
- six months	**58,101,048**	61,202,332	57,182,990
- six months to one year	**19,875,082**	14,405,933	12,967,434
- one year to five years	**3,939,835**	5,441,192	4,222,137
- more than five years	**110,000**	-	-
	82,025,965	81,049,457	74,372,561

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

18 DEPOSITS FROM CUSTOMERS (continued)

(b) The deposits are sourced from the following customers:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Government and statutory bodies	**3,916,254**	4,479,480	5,777,465
Business enterprises	**49,727,955**	57,012,069	48,851,826
Individuals	**66,104,854**	59,427,462	51,479,665
Others	**4,209,642**	2,297,791	8,640,022
	123,958,705	123,216,802	114,748,978

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Licensed banks and investment banks	**10,479,520**	8,555,164	7,673,057
Bank Negara Malaysia	**-**	150,152	1,897,375
Licensed Islamic bank	**1,095,095**	1,556,675	581,968
Other financial institutions	**1,535,508**	617,516	1,293,260
	13,110,123	10,879,507	11,445,660

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Derivatives at fair value through profit or loss			
- interest rate swaps	**438,462**	628,771	347,975
- cross currency swaps	**83,639**	110,138	275,216
- foreign currency forwards	**276,922**	171,954	152,468
- foreign currency options	**52,592**	26,377	13,001
- futures	**3,775**	1,023	747
- equity options	**6,464**	3,046	4,434
- swaption	**38,652**	39,571	4,323
Derivatives designated as fair value hedge			
- interest rate swaps	**5,977**	-	-
Total derivative financial instruments assets	**906,483**	980,880	798,164
Derivatives at fair value through profit or loss			
- interest rate swaps	**(454,257)**	(679,888)	(293,384)
- cross currency swaps	**(100,266)**	(99,901)	(187,944)
- foreign currency forwards	**(345,993)**	(232,535)	(178,225)
- foreign currency options	**(55,105)**	(26,845)	(13,968)
- equity options	**(1,602)**	(796)	(1,501)
- futures	**(4,732)**	(4,864)	(3,507)
- swaption	**(40,362)**	(40,296)	(3,569)
Derivatives designated as fair value hedge			
- interest rate swaps	**(7,104)**	(52,781)	-
Total derivative financial instruments liabilities	**(1,009,421)**	(1,137,906)	(682,098)

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Derivatives at fair value through profit or loss			
- interest rate swaps	**218**	196	2,342
- foreign currency forwards	**642**	-	-
Total derivative financial instruments assets	**860**	196	2,342
Derivatives at fair value through profit or loss			
- interest rate swaps	**(8,160)**	(15,619)	(836)
- cross currency swaps	**-**	(1,445)	(7,601)
- foreign currency forwards	**-**	(481)	(17)
Total derivative financial instruments liabilities	**(8,160)**	(17,545)	(8,454)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

21 PAYABLES AND OTHER LIABILITIES

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Trade payables	**1,040,074**	862,878	672,751
Amount due to Cagamas Berhad	**172,115**	179,719	187,217
Post employment benefits obligation			
- defined contribution plan	**4,159**	4,304	4,779
Zakat	**251**	222	128
Profit equalisation reserve	**-**	-	2,298
Loan advance payment	**1,603,098**	1,444,836	1,122,560
Treasury clearing	**113,385**	312	194,688
Cheque clearing	**74,199**	114,253	407,480
Treasury related payables	**21,416**	199,745	135,701
Sundry creditors and accruals	**563,290**	687,942	537,646
Provision for bonus and staff related expenses	**208,497**	161,299	80,358
Others	**773,657**	208,670	509,283
	4,574,141	3,864,180	3,854,889

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Post employment benefits obligation			
- defined contribution plan	**38**	52	17
Sundry creditors and accruals	**1,643**	1,083	1,394
Provision for bonus and staff related expenses	**11,564**	11,733	4,559
	13,245	12,868	5,970

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Deferred tax assets			
- Loans, advances and financing	**-**	15,440	149,795
- Financial investments available-for-sale	**-**	-	76
- Unabsorbed tax losses	**35,060**	25,139	38,879
- Other temporary differences	**131,465**	94,195	39,324
	166,525	134,774	228,074
Deferred tax liabilities			
- Loans, advances and financing	**-**	(335)	-
- Property and equipment	**(94,840)**	(107,891)	(62,045)
- Financial investments available-for-sale	**(132,347)**	(100,764)	(81,145)
- Intangible assets	**(51,267)**	(59,897)	(68,527)
- Other temporary differences	**(109,632)**	(104,220)	(98,735)
	(388,086)	(373,107)	(310,452)
	(221,561)	(238,333)	(82,378)

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Deferred tax assets			
- Other temporary differences	**4,977**	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

22 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

		Loans, advances and financing	Property and equipment	Financial investments available-for-sale	Intangible assets	Unabsorbed tax losses	Other temporary differences	Total
The Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013								
As at 1 July								
- as previously stated		**42,799**	**(107,891)**	**(95,740)**	**(59,897)**	**25,139**	**89,394**	**(106,196)**
- effects of adoption of MFRS and change in accounting policies	54	**(27,694)**	**-**	**(5,024)**	**-**	**-**	**(99,419)**	**(132,137)**
As restated		**15,105**	**(107,891)**	**(100,764)**	**(59,897)**	**25,139**	**(10,025)**	**(238,333)**
(Charged)/credited to statements of income	39	**(15,105)**	**13,051**	**516**	**8,630**	**9,921**	**53,024**	**70,037**
Transferred from Life fund		**-**	**-**	**(3,180)**	**-**	**-**	**(1,203)**	**(4,383)**
Reversal against taxation payable		**-**	**-**	**-**	**-**	**-**	**(19,963)**	**(19,963)**
Transferred to equity	30 (e)	**-**	**-**	**(28,919)**	**-**	**-**	**-**	**(28,919)**
As at 30 June		**-**	**(94,840)**	**(132,347)**	**(51,267)**	**35,060**	**21,833**	**(221,561)**
2012								
As at 1 July								
- as previously stated		213,451	(62,045)	(77,885)	(68,527)	38,879	28,821	72,694
- effects of adoption of MFRS and change in accounting policies	54	(63,656)	-	(3,184)	-	-	(88,232)	(155,072)
As restated		149,795	(62,045)	(81,069)	(68,527)	38,879	(59,411)	(82,378)
(Charged)/credited to statements of income	39	(134,690)	(45,846)	-	8,630	(13,740)	42,012	(143,634)
Transferred from Life fund		-	-	-	-	-	7,374	7,374
Transferred to equity	30 (e)	-	-	(19,695)	-	-	-	(19,695)
As at 30 June		15,105	(107,891)	(100,764)	(59,897)	25,139	(10,025)	(238,333)

		Other temporary differences	Total
The Company	**Note**	**RM'000**	**RM'000**
2013			
As at 1 July		**-**	**-**
Credited to statements of income	39	**4,977**	**4,977**
As at 30 June		**4,977**	**4,977**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

23 BORROWINGS

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Revolving credit	(a)	-	165,050	20,075
Commercial papers	(b)	**624,103**	559,262	678,381
Medium term notes	(b) & (c)	**2,611,813**	551,693	-
Term loans	(d)	**290,245**	468,333	1,515,784
		3,526,161	1,744,338	2,214,240
Repayment of revolving credit				
- less than one year		-	165,050	20,075
Repayment of commercial papers				
- less than one year		**624,103**	559,262	678,381
Repayment of medium term notes				
- one to three years		**2,211,813**	150,433	-
- three years and above		**400,000**	401,260	-
Repayment of term loans				
- less than one year		**150,164**	-	1,403,669
- one to three years		**140,081**	468,333	112,115
		3,526,161	1,744,338	2,214,240

		The Company		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Commercial papers	(b)	**624,103**	559,262	678,381
Medium term notes	(b)	**551,758**	551,693	-
Term loans	(d)	**290,245**	468,333	1,515,784
		1,466,106	1,579,288	2,194,165

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

23 BORROWINGS (continued)

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Repayment of commercial papers			
- less than one year	**624,103**	559,262	678,381
Repayment of medium term notes			
- one to three years	**151,758**	150,433	-
- three years and above	**400,000**	401,260	-
Repayment of term loans			
- less than one year	**150,164**	-	1,403,669
- one to three years	**140,081**	468,333	112,115
	1,466,106	1,579,288	2,194,165

(a) The revolving credit facilities carried interest rates ranging from 3.71% to 4.21% (30 June 2012: ranging from 3.71% to 4.25%; 1 July 2011: ranging from 3.62% to 4.16%) per annum.

The revolving credit facilities are unsecured and have been repaid during the financial year.

(b) 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 3.42% (30 June 2012: 3.27% to 3.51%; 1 July 2011: 3.30% to 3.50%).

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 2012: 4.05% to 4.50% and 1 July 2011: Nil) per annum.

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

(c) On 1 December 2009, Hong Leong Assurance Holding ("HLAH") appointed CIMB to create and issue up to RM2.0 billion in nominal value of MTN under a proposed MTN Programme to raise funds for investment purpose.

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

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

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

(i) an unsecured 3 years term loan of USD37 million matured on 12 April 2013 with a cross currency swap. The term loan with three months interest period bears LIBOR interest rate of ranging from 1.25% to 1.58% (30 June 2012: 1.25% to 1.58%; 1 July 2011: 1.28% to 1.53%) per annum.

(ii) 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 3.61% to 3.63% (30 June 2012: 3.61% to 3.75%; 1 July 2011: 3.72%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

23 BORROWINGS (continued)

(d) The Company has the following term loans for the financial year: (continued)

(iii) an unsecured short-term loan facility of RM150 million maturing on 11 January 2014. The term loan with one month interest period bears interest rate ranging from 3.61% to 3.63% (30 June 2012: 3.71% to 3.84%; 1 July 2011: Nil) per annum.

24 SENIOR BONDS

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
USD300 million senior bonds, at par	(a)	**916,350**	916,350	916,350
USD300 million senior bonds, at par	(b)	**919,200**	919,200	-
Foreign exchange translations		**60,150**	69,750	(9,750)
		1,895,700	1,905,300	906,600
Add: Interest payable		**16,192**	16,274	9,822
		1,911,892	1,921,574	916,422
Less: Unamortised discounts		**(9,721)**	(13,781)	(5,612)
		1,902,171	1,907,793	910,810

(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 the Bank 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%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
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25 SUBORDINATED OBLIGATIONS

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	**685,000**	680,000	680,000
Add: Interest payable		**11,977**	12,734	12,565
		696,977	692,734	692,565
Less: Unamortised discounts		**(741)**	(1,603)	(2,792)
		696,236	691,131	689,773
RM1.0 billion Tier 2 subordinated debt, at par	(b)	**1,000,000**	1,000,000	1,000,000
Add: Interest payable		**6,674**	6,555	6,793
		1,006,674	1,006,555	1,006,793
Less: Unamortised discounts		**(1,341)**	(2,436)	(3,856)
		1,005,333	1,004,119	1,002,937
Subordinated medium term notes, at par	(c)	**1,160,000**	1,160,000	1,160,000
Add: Interest payable		**9,307**	9,267	8,983
		1,169,307	1,169,267	1,168,983
Less: Unamortised discounts		**(6,985)**	(14,214)	(23,750)
Fair value adjustments on completion of business combination accounting		**3,829**	18,000	47,085
		1,166,151	1,173,053	1,192,318
RM1.5 billion Tier 2 subordinated debt, at par	(d)	**1,500,000**	1,500,000	-
Add: Interest payable		**1,295**	1,664	-
		1,501,295	1,501,664	-
Less: Unamortised discounts		**(2,271)**	(582)	-
		1,499,024	1,501,082	-
RM500 million Tier 2 subordinated debt, at par	(e)	**500,000**	-	-
Add: Interest payable		**8,815**	-	-
		508,815	-	-
Less: Unamortised discounts		**(2,050)**	-	-
		506,765	-	-
		4,873,509	4,369,385	2,885,028

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

25 SUBORDINATED OBLIGATIONS (continued)

(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.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

25 SUBORDINATED OBLIGATIONS (continued)

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

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

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

The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

26 NON-INNOVATIVE TIER 1 STAPLED SECURITIES

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
RM1.4 billion Non-innovative Tier 1 stapled securities, at par	**1,400,000**	1,400,000	1,400,000
Add: Interest payable	**10,847**	10,653	11,041
	1,410,847	1,410,653	1,411,041
Less: Unamortised discounts	**(1,855)**	(3,370)	(5,335)
	1,408,992	1,407,283	1,405,706

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 comprise of Capital Securities issued by HLB that are stapled with Subordinated Notes issued by Prominic Berhad (a wholly owned subsidiary of HLB). The Subordinated Notes, which will mature in 2051, pays a semi-annual of 5.05% per annum. The Capital Securities is 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.

27 INNOVATIVE TIER 1 CAPITAL SECURITIES

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

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for the financial year ended 30 June 2013
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27 INNOVATIVE TIER 1 CAPITAL SECURITIES (continued)

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.

28 INSURANCE FUNDS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Unearned premium reserves	**28,940**	31,038	21,758
Life policyholders' fund	**6,082,190**	5,179,160	4,503,819
Fair value reserves - financial investments available-for-sale	**216,257**	155,294	178,101
Life investment-linked unitholders' fund	**859,028**	714,187	646,772
	7,186,415	6,079,679	5,350,450

The main insurance risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitants living longer than expected.
- Investment return/interest rate risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected.

The risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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29 SHARE CAPITAL

	The Group and The Company		
	2013 RM'000	2012 RM'000	2011 RM'000
Authorised			
Ordinary shares of RM1.00 each	**2,000,000**	2,000,000	2,000,000
Issued and fully paid capital			
Ordinary shares of RM1.00 each			
As at 1 July/30 June	**1,052,768**	1,052,768	1,052,768

There were no new shares issued by the Company during the financial year ended 30 June 2013 (2012: Nil).

30 RESERVES

		The Group		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Retained profits	(a)	**6,590,499**	5,985,755	5,255,655
Share premium	(b)	**117,229**	117,229	117,229
Statutory reserve	(c)	**1,971,758**	1,473,456	1,241,179
Regulatory reserve	(d)	**8,527**	6,045	726
Fair value reserve	(e)	**248,221**	179,506	147,886
Other capital reserve	(f)	**134,417**	133,993	133,258
Share options reserve	(g)	**22,768**	35,445	34,965
Exchange fluctuation reserve	(h)	**(20,501)**	(22,982)	(36,857)
		9,072,918	7,908,447	6,894,041

		The Company		
	Note	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Retained profits	(a)	**12,318,619**	12,362,017	12,471,511
Share premium	(b)	**117,229**	117,229	117,229
Other capital reserve	(f)	**254,991**	254,991	254,991
Share options reserve	(g)	**16,680**	12,078	13,557
		12,707,519	12,746,315	12,857,288

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

30 RESERVES (continued)

(a) Under the single-tier tax system which came into effect on 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are single-tier dividends and are tax exempt on the hands of shareholders.

However, companies who have not utilised fully their Section 108 credits balances up to 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits under the special transitional provisions of the Finance Act, 2007 and pay single-tier dividends.

As at 30 June 2013, the Company is already under the single-tier tax system. The Company also has no tax exempt income available for future distribution of tax exempt dividends.

(b) Share premium is used to record premium arising from new shares issued by the Company.

(c) The statutory reserve is maintained by the banking subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

(d) The regulatory reserve is maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

(e) Movement of the fair value reserve is as follows:

		The Group	
	Note	2013 RM'000	2012 RM'000
As at 1 July			
- as previously stated		**97,530**	88,880
- adoption of MFRS and changes in accounting policies	54	**81,976**	59,006
As restated		**179,506**	147,886
Net gain from change in fair value		**215,000**	95,612
Reclassification adjustments to net profit on disposal and impairment	35	**(116,716)**	(44,112)
Deferred taxation	22	**(28,919)**	(19,695)
Share of fair value reserve of associated companies	12	**(650)**	(185)
Net change in fair value reserve		**68,715**	31,620
As at 30 June		**248,221**	179,506

(f) The other capital reserve of the Group arose from the capitalisation of bonus issue and gain on disposal of subsidiary company and assets in certain subsidiary companies and capital redemption reserve arising from redemption of RPS. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.

(g) The share options reserve arose from the employee share option schemes granted to eligible executives of the Company. Terms of the share options and movements in the number of shares held by Trustee for ESOS Scheme are disclosed in Note 51 to the financial statements.

(h) Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

31 TREASURY SHARES FOR ESOS

Treasury shares for ESOS

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). 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.

MFRS132 – Financial Instruments: Presentation requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 - Financial Instruments: Presentation, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the balance sheet. As at 30 June 2013, the number of shares held by the appointed trustee was 7,344,408 shares (30 June 2012: 9,722,408; 1 July 2011: 12,270,408) at an average price of RM5.06 per share (30 June 2012: RM4.84; 1 July 2011: RM4.55). The total consideration paid, including transaction costs was RM37,161,000 (30 June 2012: RM47,058,000; 1 July 2011: RM55,786,000).

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 2,692,192 (30 June 2012: 3,286,092; 1 July 2011: 3,519,992) units of the Company's shares at an average price of RM4.75 (30 June 2012: RM4.75; 1 July 2011: RM4.75) per share with total consideration paid, including transaction costs of RM12,797,000 (30 June 2012: RM15,618,000; 1 July 2011: RM16,731,000), which have been classified as treasury shares held for ESOS at the Group level.

The main features of the ESOS are disclosed in the Director's Report and details of the ESOS are disclosed in Note 51 to the financial statements.

32 INTEREST INCOME

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans, advances and financing	**4,018,641**	3,943,718	**-**	-
Money at call and deposit placements with financial institutions	**399,743**	597,760	**947**	1,195
Securities purchased under resale agreements	**28,019**	10,433	**-**	-
Financial assets held-for-trading	**741,624**	534,026	**-**	-
Financial investments available-for-sale	**322,668**	236,349	**-**	-
Financial investments held-to-maturity	**104,525**	199,303	**-**	-
Others	**3,203**	32,725	**2,857**	30,899
	5,618,423	5,554,314	**3,804**	32,094
Of which:				
Accretion of discount less amortisation of premium	**415,813**	362,948	**-**	-
Interest income earned on impaired loans, advances and financing	**26,958**	18,250	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

33 INTEREST EXPENSE

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits and placements of banks and other financial institutions	108,428	113,717	-	-
Deposits from other customers	2,288,732	2,180,243	-	-
Short term corporate placements	304,756	309,173	-	-
Borrowings	198,959	70,043	55,790	68,532
Subordinated obligations	194,731	138,439	-	-
Senior bonds	67,557	42,756	-	-
Non-innovative Tier 1 stapled securities	72,215	72,858	-	-
Innovative Tier 1 capital securities	23,742	21,198	-	-
Others	5,237	14,140	1,286	55
	3,264,357	2,962,567	57,076	68,587

34 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2013 RM'000	2012 RM'000
Income derived from investment of depositors' funds and others	848,865	861,386
Income derived from investment of shareholders' funds	85,520	74,119
Profit equalisation reserve	-	2,298
Income attributable to depositors	(479,498)	(490,205)
	454,887	447,598
Of which:		
Financing income earned on impaired financing and advances	3,317	1,092

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

35 NON-INTEREST INCOME

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Insurance income	**150,954**	187,574	**-**	-
Brokerage income	**43,511**	41,050	**-**	-
Fee income				
Commissions	**132,027**	112,241	**-**	-
Service charges and fees	**49,308**	46,116	**-**	-
Guarantee fees	**22,575**	18,396	**-**	-
Credit card related fees	**270,152**	274,448	**-**	-
Corporate advisory fees	**10,326**	13,302	**-**	-
Commitment fees	**34,539**	33,148	**-**	-
Fee on loans, advances and financing	**66,359**	74,145	**-**	-
Placement fees	**31,187**	1,122	**-**	-
Brokerage	**-**	6,745	**-**	-
Unit trust fee income	**18,613**	16,750	**-**	-
Other fee income	**34,399**	57,562	**8,379**	8,012
	669,485	653,975	**8,379**	8,012

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

35 NON-INTEREST INCOME (continued)

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net income from securities					
Net realised gain/(loss) from sale/ (redemption) of financial assets:					
- financial assets held-for-trading		**47,978**	31,227	**(120)**	122
- financial investments available-for-sale	30 (e)	**116,716**	44,112	**-**	-
- financial investments held-to-maturity		**8,437**	1,839	**-**	-
- derivative financial instruments		**19,764**	73,739	**7,927**	(13,721)
Dividend income from:					
- financial assets held-for-trading		**23,486**	3,472	**1,025**	1,728
- financial investments available-for-sale		**214,866**	49,668	**-**	-
- subsidiary companies		**-**	-	**481,620**	297,422
Net unrealised gain/(loss) on revaluation of:					
- financial assets held-for-trading		**21,742**	(25,840)	**-**	-
- derivative financial instruments		**88,703**	(149,630)	**8,605**	(11,237)
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges		**(26,614)**	(28,336)	**-**	-
Net unrealised gain on fair value changes arising from fair value hedges		**10,917**	8,774	**-**	-
		525,995	9,025	**499,057**	274,314
Other income					
Foreign exchange gain/(loss)		**153,366**	195,871	**(411)**	(5,842)
Rental income		**5,459**	4,922	**-**	-
Gain on sale of property and equipment (net)		**924**	959	**1**	4
Other non-operating income		**19,924**	25,442	**703**	998
		179,673	227,194	**293**	(4,840)
		1,569,618	1,118,818	**507,729**	277,486

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

36 OVERHEAD EXPENSES

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel costs	(a)	**1,080,257**	1,217,674	**22,657**	28,286
Establishment costs	(b)	**527,727**	454,499	**1,399**	1,509
Marketing expenses	(c)	**146,423**	141,674	**-**	-
Administration and general expenses	(d)	**282,395**	280,551	**3,380**	4,340
		2,036,802	2,094,398	**27,436**	34,135

(a) Personnel costs comprise the following:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries, bonus and allowances	**978,118**	997,072	**17,515**	26,560
Voluntary separation scheme (VSS)	**-**	113,651	**-**	-
Medical expenses	**24,673**	29,573	**99**	86
Training and convention expenses	**31,653**	27,577	**15**	73
Staff welfare	**14,820**	22,945	**202**	222
Other employees benefits	**30,993**	26,856	**4,826**	1,345
	1,080,257	1,217,674	**22,657**	28,286

(b) Establishment costs comprise the following:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Depreciation of property and equipment	**110,724**	109,246	**341**	593
Amortisation of intangible assets	**100,483**	75,842	**7**	9
Rental of premises	**87,167**	78,258	**829**	700
Information technology expenses	**122,466**	98,625	**55**	49
Security services	**31,384**	29,564	**-**	-
Electricity, water and sewerage	**28,096**	24,718	**37**	27
Hire of plant and machinery	**13,925**	13,749	**30**	28
Others	**33,482**	24,497	**100**	103
	527,727	454,499	**1,399**	1,509

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

36 OVERHEAD EXPENSES (continued)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Advertisement and publicity	**52,282**	40,527	**-**	-
Credit card related fees	**61,794**	65,051	**-**	-
Commission	**15,101**	18,096	**-**	-
Others	**17,246**	18,000	**-**	-
	146,423	141,674	**-**	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Teletransmission expenses	**17,672**	16,213	**38**	36
Stationery and printing expenses	**19,200**	21,946	**45**	45
Professional fees	**95,700**	83,331	**2,078**	3,004
Insurance fees	**22,177**	20,765	**-**	-
Stamp, postage and courier	**24,698**	25,588	**-**	-
Credit card fees	**69,649**	64,813	**-**	-
Travelling and transport expenses	**7,534**	7,810	**261**	415
Registration and license fees	**5,849**	5,356	**-**	-
Brokerage and comission	**5,080**	5,005	**-**	-
Others	**14,836**	29,724	**958**	840
	282,395	280,551	**3,380**	4,340

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(continued)

36 OVERHEAD EXPENSES (continued)

(d) Administration and general expenses comprise the following: (continued)

The above expenditure includes the following statutory disclosures:

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration	38	**17,416**	19,595	**11,778**	13,141
Hire of equipment		**13,936**	13,281	**30**	28
Auditors' remuneration:					
(i) PwC Malaysian firm					
- statutory audit		**2,934**	2,838	**121**	108
- audit related fees		**661**	1,911	**14**	5
- other services		**204**	190	**-**	-
- tax compliance		**285**	449	**12**	5
- other tax services		**332**	172	**131**	8
(ii) PwC overseas affiliated firms					
- statutory audit		**289**	251	**-**	-
- other services		**137**	296	**-**	-
Gain on sale of property and equipment		**(924)**	(959)	**(1)**	(4)
Property and equipment written off		**219**	1,660	**-**	-
Intangible assets written off		**543**	919	**-**	-
Options charge arising from ESOS		**3,401**	7,148	**4,602**	1,135

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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37 ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	The Group	
	2013 RM'000	2012 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing		
- Collective assessment allowance	**183,785**	334,453
- Individual assessment allowance	**100,120**	(78,022)
(Writeback of)/allowance for impairment losses on clients' and brokers' balances		
- Collective assessment allowance	**(111)**	137
- Individual assessment allowance	**(288)**	(780)
Allowance for impairment losses on other assets		
- Individual assessment allowance	**345**	-
Impaired loans and financing		
- Written off	**21,523**	45,431
- Recovered	**(263,753)**	(321,074)
	41,621	(19,855)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
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38 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group				The Company			
2013	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	8,879	-	20	8,899	8,879	-	20	8,899
Mr Quek Kon Sean	2,413	-	-	2,413	2,413	-	-	2,413
	11,292	-	20	11,312	11,292	-	20	11,312
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	16	16	-	-	16	16
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	309	-	309	-	130	-	130
Ms Lim Lean See	-	281	-	281	-	90	-	90
Mr Saw Kok Wei	-	115	-	115	-	115	-	115
Ms Lim Tau Kien	-	115	-	115	-	115	-	115
YBhg Datuk Yvonne Chia (Retired on 30 June 2013)	5,245	-	23	5,268	-	-	-	-
	5,245	820	39	6,104	-	450	16	466
Total Directors' remuneration	16,537	820	59	17,416	11,292	450	36	11,778

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

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38 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

	The Group				The Company			
2012	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	9,445	452 N1	32	9,929	9,445	-	32	9,477
Mr Quek Kon Sean	3,039	210 N1	1	3,250	3,039	-	1	3,040
	12,484	662	33	13,179	12,484	-	33	12,517
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	466 N1	28	494	-	100 N1	28	128
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	309	-	309	-	130	-	130
YBhg Datuk Yvonne Chia	4,772	170 N1	22	4,964	-	-	-	-
Ms Lim Lean See	-	360	-	360	-	77	-	77
Mr Saw Kok Wei	-	99	-	99	-	99	-	99
Ms Lim Tau Kien	-	114	-	114	-	114	-	114
YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) (Retired on 28 October 2011)	-	28	-	28	-	28	-	28
Dr Poh Soon Sim (Retired on 25 November 2011)	-	48	-	48	-	48	-	48
	4,772	1,594	50	6,416	-	596	28	624
Total Directors' remuneration	17,256	2,256	83	19,595	12,484	596	61	13,141

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

N1 These fees have been assigned in favour of the company where the Director is employed

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39 TAXATION

		The Group		The Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax		**515,247**	510,025	**102,762**	61,742
Under/(over) accrual in prior years		**20,055**	(113,349)	**-**	-
Transfer to deferred taxation	22				
- current year		**(71,628)**	1,907	**1,924**	-
- over/(under) accrual in prior years		**1,591**	141,727	**(6,901)**	-
		(70,037)	143,634	**(4,977)**	-
Taxation		**465,265**	540,310	**97,785**	61,742

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax expenses of the Group and the Company is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	**2,630,039**	2,393,748	**428,077**	206,858
Tax calculated at a rate of 25% (2012: 25%)	**657,510**	598,437	**107,019**	51,715
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	**(396)**	(33)	**-**	-
- Income not subject to tax	**(109,068)**	(72,787)	**(3,898)**	(1,972)
- Share of net income of associates and jointly controlled entity	**(81,404)**	(41,634)	**-**	-
- Expenses not deductible for tax purposes	**28,950**	27,949	**1,565**	11,999
- Over accrual (net of deferred tax effects)	**21,646**	28,378	**(6,901)**	-
- Reversal of temporary differences previously not recognised	**(51,973)**	-	**-**	-
Taxation	**465,265**	540,310	**97,785**	61,742

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 TAXATION (continued)

	The Group	
	2013 RM'000	2012 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	**54,047**	57,368
Tax credit		
Tax credit which has not been recognised in the financial statements	**195,567**	243,371
Capital allowance		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**807**	807

The above unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain.

40 EARNINGS PER SHARE

Basic earnings per share

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Weighted average number of ordinary shares ('000)	**1,042,731**	1,039,760	**1,045,424**	1,043,046
Net profit attributable to equity holders of the Company	**1,487,690**	1,233,568	**330,292**	145,116
Basic earnings per share (sen)	**142.7**	118.6	**31.6**	13.9

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

40 EARNINGS PER SHARE (continued)

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential ordinary shares. For the share options, calculation is done to determine the number of shares that could been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The Group's dilutive potential ordinary shares is share option, of which the impact of dilution is as below:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Weighted average number of ordinary shares ('000)	**1,042,731**	1,039,760	**1,045,424**	1,043,046
Adjustment for ESOS shares ('000)	**1,793**	5,439	**1,542**	5,048
	1,044,524	1,045,199	**1,046,966**	1,048,094
Net profit attributable to equity holders of the Company	**1,487,690**	1,233,568	**330,292**	145,116
Diluted earnings per share (sen)	**142.4**	118.0	**31.5**	13.8

41 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group and The Company	
	2013 RM'000	2012 RM'000
First interim single-tier dividend of 13 sen per share (2012: 10 sen per share (single-tier))	**135,556**	104,049
Second interim single-tier dividend of 23 sen per share (2012: 15 sen per share (single-tier))	**240,447**	156,457
	376,003	260,506

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

42 COMMITMENTS AND CONTINGENCIES

(a) Group related commitments and contingencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

42 COMMITMENTS AND CONTINGENCIES (continued)

(a) Group related commitments and contingencies (continued)

The Company's commitments and contingencies

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Forward foreign exchange^	**167,360**	247,642	202,970
Interest rate swaps^	**800,000**	800,000	600,000
Cross currency swaps^	**-**	118,030	118,030
	967,360	1,165,672	921,000

* Included in direct credit substitutes are the financial guarantee contracts of RM275,560,736 (30 June 2012: RM436,202,067; 1 July 2011: RM552,701,869), of which fair value at the time of issuance is zero.

^ These derivatives are revalued as gain position basis and the unrealised gains or losses have been reflected in Note 20 to the financial statements as derivative assets or derivative liabilities.

(b) Other commitments and contingencies - unsecured

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

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2013 (30 June 2012: RM1 million).

43 CAPITAL COMMITMENTS

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Approved and contracted for	**73,802**	12,004	87,114
Approved but not contracted for	**131,768**	98,734	51,131
	205,570	110,738	138,245

The capital commitments are in respect of property and equipment.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

44 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Less than one year	11,045	8,795	7,697
More than one year but less than five years	18,992	16,203	10,224
More than 5 years	11,306	11,764	25,724
	41,343	36,762	43,645

45 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

46 CAPITAL ADEQUACY

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

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

30 June 2013 - Basel III

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

46 CAPITAL ADEQUACY (continued)

30 June 2013 - Basel III (continued)

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

	Hong Leong Bank Group RM'000	Hong Leong Bank Berhad RM'000	Hong Leong Investment Bank Berhad RM'000
CET I capital			
Paid up share capital	1,879,909	1,879,909	165,000
Share premium	2,832,383	2,832,383	87,950
Retained profit	6,197,372	4,835,280	(15,241)
Other reserves	2,699,050	2,360,778	154,051
Less: Treasury shares	(661,809)	(661,809)	-
Less: Other intangible assets	(369,415)	(362,855)	-
Less: Goodwill	(1,831,312)	(1,771,547)	(28,986)
Less: Deferred tax assets	-	-	(61,978)
Less: Other regulatory adjustments	-	-	(525)
Total CET 1 capital	10,746,178	9,112,139	300,271
Additional Tier I capital			
Non-innovative Tier-1 stapled securites	1,260,000	1,260,000	-
Innovative Tier-1 capital securities	450,000	450,000	-
Total additional Tier-1 capital	1,710,000	1,710,000	-
Total Tier I capital	12,456,178	10,822,139	300,271
Tier 2 Capital			
Redeemable preference shares	-	-	1,631
Collective assessment allowance^	800,960	666,131	678
Subordinated obligations	3,924,000	3,924,000	-
Total Tier 2 capital	4,724,960	4,590,131	2,309
Less: Investment in subsidiary companies	-	(2,194,913)	(1,455)
Less: Investment in associated company	(1,752,949)	(946,505)	-
Less: Investment in jointly controlled entity	(79,945)	(76,711)	-
	(1,832,894)	(3,218,129)	(1,455)
Total capital	15,348,244	12,194,141	301,125

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

46 CAPITAL ADEQUACY (continued)

30 June 2013 - Basel III (continued)

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

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

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

	Hong Leong Islamic Bank
Before deducting proposed dividends	
CET I capital ratio	11.070%
Tier I capital ratio	11.070%
Total capital ratio	14.153%
After deducting proposed dividends	
CET I capital ratio	10.720%
Tier I capital ratio	10.720%
Total capital ratio	13.804%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

46 CAPITAL ADEQUACY (continued)

30 June 2012 and 1 July 2011 - Basel II

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2012	1 July 2011	30 June 2012	1 July 2011	30 June 2012	1 July 2011
Before deducting proposed dividends						
Core capital ratio	11.956%	8.756%	12.042%	8.078%	145.495%	77.752%
RWA ratio	15.736%	14.117%	14.340%	11.422%	145.433%	77.728%
After deducting proposed dividends						
Core capital ratio	11.579%	8.561%	11.617%	7.877%	145.495%	77.752%
RWA ratio	15.359%	13.923%	13.915%	11.222%	145.433%	77.728%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Tier I capital						
Paid-up share capital	1,879,909	1,580,107	1,879,909	1,580,107	75,000	75,000
Share premium	2,832,383	539,664	2,832,383	539,664	87,950	87,950
Retained profit	5,356,240	4,166,411	4,284,156	3,430,052	(71,016)	10,832
Other reserves	2,157,549	1,931,653	1,927,506	1,798,885	83,385	83,385
Non-innovative Tier I stapled securities	1,396,630	1,394,665	1,396,630	1,394,665	-	-
Innovative Tier I capital securities	490,292	490,411	488,826	488,745	-	-
Less: Treasury shares	(714,792)	(671,744)	(714,792)	(671,744)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	-	(66,663)
Less: Deferred tax assets	-	-	-	-	(35,271)	(35,317)
Total Tier I capital	11,566,899	7,599,855	10,323,071	6,788,827	140,048	155,187

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

46 CAPITAL ADEQUACY (continued)

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

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Tier II capital						
Collective assessment allowance^	932,830	924,802	735,127	740,857	160	172
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000	-	-
Subordinated obligations	4,341,165	2,829,602	4,340,557	2,828,765	-	-
Total Tier 2 capital	5,273,995	6,054,404	5,075,684	5,869,622	160	172
Total capital	16,840,894	13,654,259	15,398,755	12,658,449	140,208	155,359
Less: Investment in associated company	-	-	(2,081,933)	(2,035,676)	-	-
Less: Investment in subsidiary companies	(1,540,288)	(1,325,707)	(946,505)	(946,505)	(220)	(220)
Less: Investment in jointly controlled entity	(76,871)	(75,252)	(76,711)	(76,711)	-	-
Total capital base	15,223,735	12,253,300	12,293,606	9,599,557	139,988	155,139

^ 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 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Credit risk	87,900,369	79,504,230	77,788,537	75,130,053	36,496	79,746
Market risk	3,501,182	3,053,245	3,300,893	2,547,302	-	55,130
Operational risk	5,344,452	4,241,563	4,639,177	6,364,159	59,760	64,717
Total RWA	96,746,003	86,799,038	85,728,607	84,041,514	96,256	199,593

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

46 CAPITAL ADEQUACY (continued)

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

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

	Hong Leong Islamic Bank	
	30 June 2012	**1 July 2011**
Before deducting proposed dividends		
Core capital ratio	9.630%	16.557%
RWA ratio	13.490%	17.391%
After deducting proposed dividends		
Core capital ratio	9.343%	15.899%
RWA ratio	13.203%	16.733%

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

	Promilia	
	30 June 2012	**1 July 2011**
Before deducting proposed dividends		
Core capital ratio	26.891%	43.973%
RWA ratio	27.054%	44.269%
After deducting proposed dividends		
Core capital ratio	25.129%	41.081%
RWA ratio	25.292%	41.376%

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

47 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

Arising from the adoption of MFRS 139 as set out in Note 54, certain comparatives have been restated to conform with current year's presentation.

Business segments

The Group comprises the following main business segments:

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

47 SEGMENTAL INFORMATION (continued)

(i) Business segment reporting

Set out below is information of the Group by business segments:

The Group	Commercial banking	Investment banking	Insurance	Other operations	Eliminations/ consolidation adjustments	Consolidated
30 June 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue						
External sales	3,998,702	186,900	184,823	8,146	-	4,378,571
Inter-segment sales	8,093	3,474	3,158	493,887	(508,612)	-
Segment revenue	4,006,795	190,374	187,981	502,033	(508,612)	4,378,571
Overhead expenses of which:	(1,847,025)	(120,437)	(63,645)	(27,915)	22,220	(2,036,802)
Depreciation of property and equipment	105,812	2,323	2,248	341	-	110,724
Amortisation of intangible assets	99,243	665	568	7	-	100,483
Allowance for impairment losses on loans, advances and financing	(41,376)	(245)	-	-	-	(41,621)
Writeback of/(allowance for) impairment losses	7,474	(1,759)	(1,440)	1,056	(1,056)	4,275
Segment results	2,125,868	67,933	122,896	475,174	(487,448)	2,304,423
Share of results of associated companies	264,005	-	58,537	-	-	322,542
Share of results of jointly controlled entity	3,074	-	-	-	-	3,074
Profit before taxation	2,392,947	67,933	181,433	475,174	(487,448)	2,630,039
Taxation						(465,265)
Net profit for the financial year						2,164,774
Non-controlling interests						(677,084)
Profit attributable to owners of the parent						1,487,690
Other information						
Segment assets	163,585,697	2,878,945	13,519,450	15,529,657	(15,040,604)	180,473,145
Segment liabilities	150,549,073	2,397,971	11,287,053	1,657,699	(423,359)	165,468,437
Other significant segment items						
Capital expenditure	145,438	1,954	9,657	154	-	157,203

Note:

[1] Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

47 SEGMENTAL INFORMATION (continued)

(i) Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group	Commercial banking	Investment banking	Insurance	Other operations	Eliminations/ consolidation adjustments	Consolidated
30 June 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue						
External sales	3,806,180	181,484	239,250	(68,751)	-	4,158,163
Inter-segment sales	24,360	1,857	2,290	310,464	(338,971)	-
Segment revenue	3,830,540	183,341	241,540	241,713	(338,971)	4,158,163
Overhead expenses of which:	(1,778,988)	(235,777)	(83,666)	(34,562)	38,595	(2,094,398)
Depreciation of property and equipment	104,034	2,478	2,141	593	-	109,246
Amortisation of intangible assets	74,614	820	399	9	-	75,842
Writeback of impairment losses on loans, advances and financing	14,799	5,056	-	-	-	19,855
Writeback of/(allowance for) impairment losses	50,070	-	(1,103)	(9,452)	-	39,515
Segment results	2,116,421	(47,380)	156,771	197,699	(300,376)	2,123,135
Share of results of associated companies	216,960	-	52,034	-	-	268,994
Share of results of jointly controlled entity	1,619	-	-	-	-	1,619
Profit before taxation	2,335,000	(47,380)	208,805	197,699	(300,376)	2,393,748
Taxation						(540,310)
Net profit for the financial year						1,853,438
Non-controlling interests						(619,870)
Profit attributable to owners of the parent						1,233,568
Other information						
Segment assets	158,167,066	2,527,450	9,369,353	15,747,876	(15,526,130)	170,285,615
Segment liabilities	146,462,907	2,135,043	7,400,937	1,897,321	(892,297)	157,003,911
Other significant segment items						
Capital expenditure	293,676	2,155	11,839	119	-	307,789

Note:

[1] Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

47 SEGMENTAL INFORMATION (continued)

(i) Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group	Commercial banking	Investment banking	Insurance	Other operations	Eliminations/ consolidation adjustments	Consolidated
1 July 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Other information						
Segment assets	145,157,613	2,255,960	8,312,656	16,398,806	(16,097,313)	156,027,722
Segment liabilities	137,757,015	1,657,227	6,470,633	2,422,097	(3,128,137)	145,178,835
Other significant segment items						
Capital expenditure	122,406	4,491	8,376	388	-	135,661

(ii) Geographical segment reporting

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and insurance business.

	Revenue	Non-current assets	Capital expenditure
The Group	**RM'000**	**RM'000**	**RM'000**
30 June 2013			
Malaysia	**4,152,193**	**2,055,629**	**147,239**
Overseas operations	**226,378**	**1,903,246**	**9,964**
	4,378,571	**3,958,875**	**157,203**
30 June 2012			
Malaysia	3,940,609	2,091,944	297,014
Overseas operations	217,554	1,687,629	10,775
	4,158,163	3,779,573	307,789
1 July 2011			
Malaysia	3,483,961	1,530,750	127,853
Overseas operations	181,544	1,905,032	7,808
	3,665,505	3,435,782	135,661

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

The related parties of and their relationship with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and GuoLine Capital Assets Limited ("HLCM Group")	Subsidiary companies of ultimate holding company
Guardian Security Consultants Sdn Bhd ("GSC")	Associated company of ultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiary and associated companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary and associated companies of ultimate holding company
Narra Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("Narra Group")	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) ("HLMG"), Hume Cement Sdn Bhd, Hume Construction Sdn Bhd, Hume Plastics (Malaysia) Sdn Berhad, Hume Quarry (Sarawak) Sdn Bhd, Hongvilla Development Sdn Bhd, HIMB Overseas Limited, HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company - Key management personnel of the Company who are in charge of the HLFG Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

	The Group		
2013	**Parent company RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income			
Interest on deposits	-	-	-
Interest on loans	-	-	291
Brokerage fee received	-	344	460
Insurance premium received	-	352	-
Others	-	3,035	5
	-	3,731	756
Expenditure			
Rental and maintenance	-	4,223	-
Interest on deposits	-	3,006	651
Management fees	-	35,250	-
Other miscellaneous expenses	-	2,705	-
	-	45,184	651
30 June 2013			
Amounts due from:			
Loans	-	-	7,927
Insurance premium receivable	-	64	-
Credit card	-	-	155
Others	-	447	-
	-	511	8,082
Amounts due to:			
Current account and fixed deposits	93	89,382	37,629
Others	-	1,470	-
	93	90,852	37,629

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Group		
2012	**Parent company RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income			
Interest on deposits	-	1,868	-
Interest on loans	-	-	8
Brokerage fee received	-	372	151
Insurance premium received	-	444	-
Others	-	5,168	39
	-	7,852	198
Expenditure			
Rental and maintenance	-	4,041	-
Interest on deposits	-	4,523	317
Management fees	-	34,612	-
Other miscellaneous expenses	-	2,070	-
	-	45,246	317
30 June 2012			
Amounts due from:			
Loans	-	-	288
Insurance premium receivable	-	93	-
Credit card	-	-	497
Others	-	176	-
	-	269	785
Amounts due to:			
Current account and fixed deposits	486	98,844	16,941
Others	-	1,298	-
	486	100,142	16,941

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Group		
	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
1 July 2011			
Amounts due from:			
Insurance premium receivable	-	58	-
Credit card	-	-	401
Others	-	18,165	-
	-	18,223	401
Amounts due to:			
Current account and fixed deposits	638	173,629	77,267
Others	-	21,456	-
	638	195,085	77,267

	The Company			
2013	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest on deposit	-	-	-	-
Interest on loan	-	2,478	-	-
Interest on derivatives	-	280	-	-
Management fee	-	8,379	-	-
Others	-	1,031	282	-
	-	12,168	282	-
Expenditure				
Interest on loan	-	1,271	-	-
Management fee	-	-	516	-
Rental and maintenance	-	838	-	-
Other miscellaneous expenses	-	70	302	-
	-	2,179	818	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
30 June 2013				
Amounts due from:				
Money at call and deposit placements	-	138	-	-
Others	-	57,656	-	-
	-	57,794	-	-
Amounts due to:				
Loans, advances and financing	-	1,823	-	-
Others	-	36	71	-
	-	1,859	71	-
2012				
Income				
Interest on deposit	-	228	-	-
Interest on loan	-	2,076	-	-
Interest on derivatives	-	320	-	-
Management fee	-	8,012	-	-
Others	-	2,047	194	-
	-	12,683	194	-
Expenditure				
Management fee	-	-	516	-
Rental and maintenance	-	707	-	-
Other miscellaneous expenses	-	63	502	-
	-	770	1,018	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
30 June 2012				
Amounts due from:				
Current account	-	291	-	-
Others	-	60,461	3	-
	-	60,752	3	-
Amounts due to:				
Others	-	-	14	-
1 July 2011				
Amounts due from:				
Current account	-	621	-	-
Subordinated obligations	-	2,300,000	-	-
Others	-	57,479	-	-
	-	2,358,100	-	-
Amounts due to:				
Others	-	15	428	-

On 6 May 2011, the Company has provided HLB a Tier 2 Capital Cumulative Subordinated Loan Facility for RM2.3 billion pending the completion of a proposed rights issue exercise to be undertaken by HLB. The subordinated obligation has been repaid in financial year 2012.

All amounts due from subsidiaries are unsecured, non interest bearing and expected to be repaid within 12 months except for amounts totalling RM57.0 million (30 June 2012: RM59.3 million; 1 July 2011: RM2,342.8 million) which bears interest rate ranging from 3.62% to 3.76% (30 June 2012: 3.73% to 3.84%; 1 July 2011: 3.74% to 3.99%) per annum and is repayable on demand.

All amounts due to subsidiaries are unsecured, non interest bearing and expected to be repaid within 12 months.

	The Group	
	30 June 2013 RM'000	30 June 2012 RM'000
The approved limit on loans, advances and financing for key management personnel	**11,677**	1,419

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and other short-term employee benefits	**19,864**	22,299	**14,226**	15,845
	Units '000	Units '000	Units '000	Units '000
Share options balance of the Company	**7,344**	10,032	**7,344**	10,032

Included in the above is the Directors' compensation which is disclosed in Note 38.

Loans made to key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in financial years 2013 and 2012 for loans made to key management personnel.

49 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit & Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking

Integrated Risk Management ("IRM")

Managing risks is an integral part of the Banking Group's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Group has implemented an Integrated Risk Management ("IRM") framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Banking Group. The Board of Directors set the risk appetite and tolerance level that is consistent with the Banking Group's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Integrated Risk Management ("IRM") (continued)

Giving due prominence to risk management, a Board Risk Management Committee ("BRMC") comprising three members of Board of Directors (where a minimum of two members are the Independent/Non-executive Directors) has been set up to oversee and ensure that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Board of Directors. To assist the BRMC, the Integrated Risk Management and Compliance Department ("IRMC Department") has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Banking Group. The IRMC Department has adopted a risk-based approach to consolidate principal risk areas across the Banking Group and provide a comprehensive profile of such risks so as to enable the Banking Group to minimise the risk through review and appropriate policies and control.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Banking Group, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. Credit risk management forms a key component of the Banking Group's integrated risk management structure. The Banking Group's integrated risk management structure is founded upon a credit risk framework that is compliant with BNM's guidelines on "Best Practices for the Management of Credit Risk".

The Banking Group gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee, under the supervision of the Board Credit Supervisory Committee. All credit policies are reviewed and approved by the BRMC.

The key to credit risk management is to ensure that structures and processes are in place to maintain and continuously enhance the Banking Group's risk assessment capabilities in key areas of credit. These include sound credit policies and procedures, quality credit approvals, appropriate risk measurement and risk methodology, strong credit controls with independent reviews and effective recovery strategies. Management of credit risk is principally guided by the lending directions and policies; and maximising risk adjusted rate of returns to optimize the overall portfolio risk/return within the defined risk limits, which are set based on the prevailing business and economic conditions as well as the Banking Group's risk appetite. The Banking Group's credit risk management process is documented in the Credit Manual. The Credit Manual sets out the Banking Group's policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Banking Group will be redeveloping a new credit risk rating system for commercial borrowers. As for the retail segment, the Banking Group has implemented a credit scoring system in credit cards to improve the Banking Group's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Banking Group is currently working on developing a behavioural scorecard for credit card. The Banking Group also conducts stress tests to ensure its asset quality is within acceptable levels even under stress scenarios.

Internal Audit also conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Banking Group's management.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Banking Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites:

- Portfolios held under the Banking Group's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

- Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

- Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Banking Group also conducts periodic and stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Banking Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

As a safeguard against liquidity risk, the Banking Group takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Banking Group has been in compliance with the New Liquidity Framework throughout the financial year.

This is supplemented by the Banking Group's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Banking Group has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

Investment Banking

Risk management is one of the core activities of the Investment Banking Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Investment Banking Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Investment Banking (continued)

Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Investment Banking Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Investment Banking Group also uses derivative financial instruments.

The Investment Banking Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigating market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Investment Banking Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Investment Banking Group.

The Investment Banking Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Investment Banking Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policy rest with the Board as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Insurance (continued)

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. An Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.

Actuarial and underwriting risk

Actuarial risks relate to the adequacy of insurance premium rate levels to provide for insurance liabilities and solvency margin and takes into consideration the developments in mortality, morbidity, lapses and expenses.

Underwriting risk represents the risk that claims incurred are higher than anticipated. This is attributable to the nature of risk underwritten, random nature of claims frequency and severity of claims.

The Insurance Group manages the risks through strict underwriting guidelines, which include exclusions, cover limits, loadings and reinsurance programmes. New risks are carefully assessed before an insurance policy is underwritten and issued.

Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an counterparty to service its debt obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

At the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board of Directors and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

Interest rate risk

Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises from differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Insurance Group's long-term view on interest rates. Investment activities are managed by appropriate asset allocation, which is regularly reviewed and changed in relation to the investment climate to meet the Insurance Group's desired return.

Market risk

Adverse changes in the equity market impairs the carrying value of the equity portfolio which could affect the solvency of the Insurance Group. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Insurance Group's investment committee decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Insurance (continued)

Liquidity risk

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet any unexpected cash flow.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Company as at 30 June 2013.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets or financial liabilities bearing floating interest/profit rates.

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30 June 2013				
+100 basis points ('bps')	**83,484**	**(35,561)**	**33,607**	**-**
-100 bps	**(81,283)**	**38,847**	**(31,415)**	**-**
30 June 2012				
+100 bps	47,434	(206,248)	33,485	-
-100 bps	(63,323)	209,305	(49,384)	-
1 July 2011				
+100 bps	106,829	(120,693)	24,832	-
-100 bps	(106,958)	122,711	(25,345)	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Company take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures (net of investment hedges) of the Group and the Company:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
United States Dollar ("USD")	**381,242**	969,981	363,610
Euro ("EUR")	**(1,676)**	11,572	62,015
Great Britain Pound ("GBP")	**15,167**	11,256	(10,049)
Singapore Dollar ("SGD")	**25,803**	99,350	85,818
Chinese Yuan Renminbi ("CNY")	**201,086**	85,575	23,933
Hong Kong Dollar ("HKD")	**188,637**	502,580	320,168
Japanese Yen ("JPY")	**51,229**	182,594	243,553
Australian Dollar ("AUD")	**72,202**	148,314	168,801
Others	**8,728**	22,754	728
	942,418	2,033,976	1,258,577

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
United States Dollar ("USD")	**168,002**	-	-
Hong Kong Dollar ("HKD")	**-**	195,168	78,562
Japanese Yen ("JPY")	**-**	51,994	124,397
	168,002	247,162	202,959

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
+ 1%			
United States Dollar ("USD")	**181**	14,315	4,543
Euro ("EUR")	**(52)**	1,600	(187)
Great Britain Pound ("GBP")	**(343)**	(446)	(401)
Singapore Dollar ("SGD")	**(735)**	(146)	(996)
Chinese Yuan Renminbi ("CNY")	**776**	321	88
Hong Kong Dollar ("HKD")	**2,254**	4,625	1,817
Japanese Yen ("JPY")	**7**	1,053	1,284
Australian Dollar ("AUD")	**475**	875	(522)
Others	**3**	929	1,736
	2,566	23,126	7,362
- 1%			
United States Dollar ("USD")	**(181)**	(14,315)	(4,543)
Euro ("EUR")	**52**	(1,600)	187
Great Britain Pound ("GBP")	**343**	446	401
Singapore Dollar ("SGD")	**735**	146	996
Chinese Yuan Renminbi ("CNY")	**(776)**	(321)	(88)
Hong Kong Dollar ("HKD")	**(2,254)**	(4,625)	(1,817)
Japanese Yen ("JPY")	**(7)**	(1,053)	(1,284)
Australian Dollar ("AUD")	**(475)**	(875)	522
Others	**(3)**	(929)	(1,736)
	(2,566)	(23,126)	(7,362)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows: (continued)

	The Company		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
+ 1%			
United States Dollar ("USD")	**1,680**	-	-
Hong Kong Dollar ("HKD")	-	1,952	786
Japanese Yen ("JPY")	-	520	1,244
	1,680	2,472	2,030
- 1%			
United States Dollar ("USD")	**(1,680)**	-	-
Hong Kong Dollar ("HKD")	-	(1,952)	(786)
Japanese Yen ("JPY")	-	(520)	(1,244)
	(1,680)	(2,472)	(2,030)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

	The Group	
	Impact on profit after tax RM'000	Impact on equity RM'000
30 June 2013		
+ 20% change in equity market price	**7,946**	**119,171**
- 20% change in equity market price	**(7,946)**	**(119,171)**
30 June 2012		
+ 20% change in equity market price	15,225	118,814
- 20% change in equity market price	(15,225)	(118,814)
1 July 2011		
+ 20% change in equity market price	22,707	115,098
- 20% change in equity market price	(22,707)	(115,098)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group								
	Non-trading book							
30 June 2013	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	18,263,981	-	-	360	-	1,533,239	-	19,797,580
Securities purchased under resale agreements	80,271	1,201,897	-	-	-	17,473	-	1,299,641
Deposits and placements with banks and other financial institutions	-	5,755,716	1,378,848	3,577	-	16,707	-	7,154,848
Financial assets held-for-trading	-	-	-	-	-	-	16,804,320	16,804,320
Financial investments available-for-sale	1,695,682	597,022	1,119,918	12,458,769	2,057,350	4,382,967	-	22,311,708
Financial investments held-to-maturity	587,442	30,022	25,380	3,697,550	375,834	100,442	-	4,816,670
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	900,506	900,506
- hedging derivatives	-	-	-	3,486	2,491	-	-	5,977
Loans, advances and financing								
- performing	74,130,306	871,778	629,655	8,121,423	11,507,700	669,806	-	95,930,668
- impaired^	142,870	800	18,198	74,748	107,668	-	-	344,284
Clients' and brokers' balances	-	-	-	-	-	256,474	-	256,474
Other receivables	-	-	-	-	-	801,369	-	801,369
Total financial assets	94,900,552	8,457,235	3,171,999	24,359,913	14,051,043	7,778,477	17,704,826	170,424,045

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Group								
	Non-trading book							
30 June 2013	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	47,340,085	21,548,843	33,347,144	3,904,041	110,000	17,708,592	-	123,958,705
Deposits and placements of banks and other financial institutions	7,978,376	5,002,172	120,039	-	-	9,536	-	13,110,123
Obligations on securities sold under repurchase agreements	-	1,860,937	47,408	-	-	17,432	-	1,925,777
Bills and acceptance payable	39,176	225,736	28,614	-	-	507,154	-	800,680
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,002,317	1,002,317
- hedging derivatives	-	-	578	6,526	-	-	-	7,104
Clients' and brokers' balances	-	-	-	-	-	140,353	-	140,353
Payables and other liabilities	-	-	87,287	84,827	-	3,938,596	-	4,110,710
Provision for claims	-	-	-	-	-	85,255	-	85,255
Borrowings	914,348	-	551,758	2,060,055	-	-	-	3,526,161
Senior Bonds	-	-	-	1,902,171	-	-	-	1,902,171
Subordinated obligations	-	-	-	2,883,579	1,989,930	-	-	4,873,509
Non-innovative Tier 1 stapled securities	-	-	-	1,408,992	-	-	-	1,408,992
Innovative Tier 1 capital securities	-	-	-	-	556,042	-	-	556,042
Insurance funds	-	-	-	-	-	7,186,415	-	7,186,415
Total financial liabilities	56,271,985	28,637,688	34,182,828	12,250,191	2,655,972	29,593,333	1,002,317	164,594,314
Net interest sensitivity gap	38,628,567	(20,180,453)	(31,010,829)	12,109,722	11,395,071			
Financial guarantees	-	-	-	-	-	808,390		
Credit related commitments and contingencies	-	-	-	-	-	40,966,891		
Net interest sensitivity gap	-	-	-	-	-	41,775,281		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Group								
	Non-trading book							
30 June 2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	19,909,076	5,032	-	-	-	1,206,931	-	21,121,039
Securities purchased under resale agreements	-	580,483	-	-	-	10,038	-	590,521
Deposits and placements with banks and other financial institutions	-	3,851,443	676,393	-	-	6,784	-	4,534,620
Financial assets held-for-trading	-	-	-	-	-	-	23,340,140	23,340,140
Financial investments available-for-sale	1,215,122	401,027	1,163,978	8,656,774	2,408,808	1,505,266	-	15,350,975
Financial investments held-to-maturity	57,351	769,986	1,720,099	1,224,840	507,245	85,920	-	4,365,441
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	980,880	980,880
Loans, advances and financing								
- performing	66,374,413	68,772	2,152,179	11,068,964	8,743,666	683,708	-	89,091,702
- impaired^	131,427	15,240	78,681	49,402	146,503	-	-	421,253
Clients' and brokers' balances	-	-	-	-	-	269,260	-	269,260
Other receivables	-	-	-	-	-	564,468	-	564,468
Total financial assets	87,687,389	5,691,983	5,791,330	20,999,980	11,806,222	4,332,375	24,321,020	160,630,299

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Group								
	Non-trading book							
30 June 2012	**Up to 1 month RM'000**	**>1 – 3 months RM'000**	**>3 -12 months RM'000**	**>1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities								
Deposits from customers	55,085,771	15,704,921	32,510,761	5,441,191	-	14,474,158	-	123,216,802
Deposits and placements of banks and other financial institutions	8,193,127	2,476,692	203,088	-	-	6,600	-	10,879,507
Obligations on securities sold under repurchase agreements	43,254	580,483	-	-	-	10,060	-	633,797
Bills and acceptance payable	4,970	17,934	18,724	-	-	444,463	-	486,091
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,085,125	1,085,125
- hedging derivatives	194	-	3,683	48,530	374	-	-	52,781
Clients' and brokers' balances	-	-	-	-	-	138,451	-	138,451
Payables and other liabilities	-	-	-	179,719	-	3,541,064	-	3,720,783
Provision for claims	-	-	-	-	-	96,818	-	96,818
Borrowings	1,192,645	-	551,693	-	-	-	-	1,744,338
Senior Bonds	-	-	-	1,907,793	-	-	-	1,907,793
Subordinated obligations	-	-	-	2,868,303	1,501,082	-	-	4,369,385
Non-innovative Tier 1 stapled securities	-	-	-	1,407,283	-	-	-	1,407,283
Innovative Tier 1 capital securities	-	-	-	-	574,581	-	-	574,581
Insurance funds	-	-	-	-	-	6,079,679	-	6,079,679
Total financial liabilities	64,519,961	18,780,030	33,287,949	11,852,819	2,076,037	24,791,293	1,085,125	156,393,214
Net interest sensitivity gap	23,167,428	(13,088,047)	(27,496,619)	9,147,161	9,730,185			
Financial guarantees	-	-	-	-	-	992,579		
Credit related commitments and contingencies	-	-	-	-	-	40,488,186		
Net interest sensitivity gap	-	-	-	-	-	41,480,765		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Group								
	Non-trading book							
1 July 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	30,255,195	-	-	-	-	1,756,238	-	32,011,433
Securities purchased under resale agreements	86,509	73,261	-	-	-	-	-	159,770
Deposits and placements with banks and other financial institutions	-	4,329,082	856,122	-	25,897	2,294	-	5,213,395
Financial assets held-for-trading	-	-	-	-	-	-	7,147,980	7,147,980
Financial investments available-for-sale	630,107	735,856	825,863	5,784,034	1,365,681	1,344,375	-	10,685,916
Financial investments held-to-maturity	1,407,090	1,846,733	2,056,281	2,597,390	77,457	62,677	-	8,047,628
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	798,164	798,164
Loans, advances and financing								
- performing	60,012,974	480,921	1,226,649	8,518,934	11,226,342	676,745	-	82,142,565
- impaired^	188,031	1,020	5,363	21,672	136,251	-	-	352,337
Clients' and brokers' balances	-	-	-	-	-	236,386	-	236,386
Other receivables	-	-	-	-	-	1,155,604	-	1,155,604
Total financial assets	92,579,906	7,466,873	4,970,278	16,922,030	12,831,628	5,234,319	7,946,144	147,951,178

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Group								
	Non-trading book							
1 July 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	55,949,315	17,137,971	23,492,109	3,732,137	-	14,437,446	-	114,748,978
Deposits and placements of banks and other financial institutions	4,957,205	4,738,170	1,472,899	170,800	94,831	11,765	-	11,445,660
Bills and acceptance payable	101,809	79,081	11,794	-	-	491,312	-	683,996
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	682,098	682,098
Clients' and brokers' balances	-	-	-	-	-	177,768	-	177,768
Payables and other liabilities	-	-	-	187,217	-	3,667,672	-	3,854,889
Provision for claims	-	-	-	-	-	63,763	-	63,763
Borrowings	1,735,805	478,435	-	-	-	-	-	2,214,240
Senior Bonds	-	-	-	910,810	-	-	-	910,810
Subordinated obligations	-	-	-	2,885,028	-	-	-	2,885,028
Non-innovative Tier 1 stapled securities	-	-	-	1,405,706	-	-	-	1,405,706
Innovative Tier 1 capital securities	-	-	-	-	595,720	-	-	595,720
Insurance funds	-	-	-	-	-	5,350,450	-	5,350,450
Total financial liabilities	62,744,134	22,433,657	24,976,792	9,291,698	690,551	24,200,176	682,098	145,019,106
Net interest sensitivity gap	29,835,772	(14,966,784)	(20,006,514)	7,630,332	12,141,077			
Financial guarantees	-	-	-	-	-	1,031,473		
Credit related commitments and contingencies	-	-	-	-	-	40,118,641		
Net interest sensitivity gap	-	-	-	-	-	41,150,114		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Company								
	Non-trading book							
30 June 2013	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	10,520	-	-	-	-	142	-	10,662
Deposits and placements with banks and other financial institutions	-	-	8,100	3,577	-	-	-	11,677
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	860	860
Other receivables	-	-	-	-	-	3,007	-	3,007
Amount due from subsidiaries	57,025	-	-	-	-	631	-	57,656
Total financial assets	67,545	-	8,100	3,577	-	3,780	860	83,862
Financial liabilities								
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	8,160	8,160
Payables and other liabilities	-	-	-	-	-	13,245	-	13,245
Amount due to subsidiaries	1,823	-	-	-	-	36	-	1,859
Borrowings								
- Term loans	290,245	-	-	-	-	-	-	290,245
- Commercial papers	624,103	-	-	-	-	-	-	624,103
- Medium term notes	-	-	551,758	-	-	-	-	551,758
Total financial liabilities	916,171	-	551,758	-	-	13,281	8,160	1,489,370
Net interest sensitivity gap	(848,626)	-	(543,658)	3,577	-			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Company								
	Non-trading book							
30 June 2012	Up to 1 month RM'000	>1 - 3 months RM'000	>3 -12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	40,600	-	-	-	-	300	-	40,900
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	196	196
Other receivables	-	-	-	-	-	2,390	-	2,390
Amount due from subsidiaries	59,306	-	-	-	-	1,155	-	60,461
Total financial assets	99,906	-	-	-	-	3,845	196	103,947
Financial liabilities								
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	17,545	17,545
Payables and other liabilities	-	-	-	-	-	12,868	-	12,868
Borrowings								
- Term loans	468,333	-	-	-	-	-	-	468,333
- Commercial papers	559,262	-	-	-	-	-	-	559,262
- Medium term notes	-	-	551,693	-	-	-	-	551,693
Total financial liabilities	1,027,595	-	551,693	-	-	12,868	17,545	1,609,701
Net interest sensitivity gap	(927,689)	-	(551,693)	-	-			

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

The Company								
	Non-trading book							
1 July 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 -12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	114,050	-	-	-	-	629	-	114,679
Financial assets held-for-trading	-	-	-	-	-	-	37,814	37,814
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	2,342	2,342
Other receivables	-	-	-	-	-	2,554	-	2,554
Amount due from subsidiaries	43,290	-	2,314,114	-	-	75	-	2,357,479
Total financial assets	157,340	-	2,314,114	-	-	3,258	40,156	2,514,868
Financial liabilities								
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	8,454	8,454
Payables and other liabilities	-	-	-	-	-	5,985	-	5,985
Borrowings								
- Term loans	1,515,784	-	-	-	-	-	-	1,515,784
- Commercial papers	199,946	478,435	-	-	-	-	-	678,381
Total financial liabilities	1,715,730	478,435	-	-	-	5,985	8,454	2,208,604
Net interest sensitivity gap	(1,558,390)	(478,435)	2,314,114	-	-			

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk asiring from the inability of the Group and the Company to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Group							
30 June 2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,698,811	9,098,769	-	-	-	-	-	19,797,580
Deposits and placements with banks and other financial institutions	-	-	5,770,530	1,016,952	363,789	3,577	-	7,154,848
Securities purchased under resale agreements	-	80,271	1,219,370	-	-	-	-	1,299,641
Financial assets held-for-trading	745,605	4,557,266	5,927,859	1,983,841	485,204	2,336,682	767,863	16,804,320
Financial investments available-for-sale	24,994	1,670,871	600,314	153,326	980,708	14,611,637	4,269,858	22,311,708
Financial investments held-to-maturity	317	595,927	30,579	-	26,827	4,163,020	-	4,816,670
Derivative financial instruments	63,575	77,780	77,183	76,627	56,211	555,107	-	906,483
Loans, advances and financing	9,044,520	8,482,790	5,033,857	1,541,320	4,054,792	68,117,673	-	96,274,952
Clients' and brokers' balances	150,509	-	-	-	105,965	-	-	256,474
Other receivables	408,664	4,533	63,061	6,103	58,034	9,489	453,685	1,003,569
Statutory deposits with Central Banks	-	-	-	-	-	-	3,457,409	3,457,409
Tax recoverable	-	-	-	-	-	-	19,972	19,972
Investment in associated companies	-	-	-	-	-	-	2,456,598	2,456,598
Investment in jointly controlled entity	-	-	-	-	-	-	79,945	79,945
Property and equipment	-	-	-	-	-	-	1,039,745	1,039,745
Investment properties	-	-	-	-	-	-	1,680	1,680
Intangible assets	-	-	-	-	-	-	380,907	380,907
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Total assets	21,136,995	24,568,207	18,722,753	4,778,169	6,131,530	89,797,185	15,338,306	180,473,145

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							
30 June 2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,468,953	19,150,533	20,760,989	13,011,396	19,152,329	3,414,505	-	123,958,705
Deposits and placements of banks and other financial institutions	3,849,678	4,135,026	5,005,214	120,205	-	-	-	13,110,123
Obligations on securities sold under repurchase agreements	-	-	1,878,369	47,408	-	-	-	1,925,777
Bills and acceptances payable	261	38,915	225,736	28,566	47	-	507,155	800,680
Derivative financial instruments	82,510	144,408	129,330	32,453	31,521	589,199	-	1,009,421
Clients' and brokers' balances	140,353	-	-	-	-	-	-	140,353
Payables and other liabilities	2,722,517	19,741	85	2,780	1,495,163	96,554	237,301	4,574,141
Provision for claims	-	-	-	-	85,255	-	-	85,255
Provision for taxation	-	-	-	-	-	-	189,131	189,131
Deferred tax liabilities	-	-	-	-	-	-	221,561	221,561
Borrowings	-	914,348	-	1,758	-	2,610,055	-	3,526,161
Senior bonds	-	-	-	-	-	1,902,171	-	1,902,171
Subordinated obligations	-	-	-	-	-	4,873,509	-	4,873,509
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,408,992	-	1,408,992
Innovative Tier 1 capital securities	-	-	-	-	-	556,042	-	556,042
Insurance funds*	-	-	-	20,076	925,787	6,024,295	-	6,970,158
Total liabilities	55,264,272	24,402,971	27,999,723	13,264,642	21,690,102	21,475,322	1,155,148	165,252,180
Total equity	-	-	-	-	-	-	15,004,708	15,004,708
Total liabilities and equity	55,264,272	24,402,971	27,999,723	13,264,642	21,690,102	21,475,322	16,159,856	180,256,888
Net liquidity gap	(34,127,277)	165,236	(9,276,970)	(8,486,473)	(15,558,572)	68,321,863	14,183,158	15,220,965

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							
30 June 2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	13,503,025	7,616,814	-	-	1,200	-	-	21,121,039
Securities purchased under resale agreements	-	-	590,521	-	-	-	-	590,521
Deposits and placements with banks and other financial institutions	-	-	3,858,227	579,850	96,543	-	-	4,534,620
Financial assets held-for-trading	1,322,900	3,987,033	9,219,118	4,482,784	240,016	3,395,884	692,405	23,340,140
Financial investments available-for-sale	1,024,815	190,838	377,350	369,247	823,780	11,139,081	1,425,864	15,350,975
Financial investments held-to-maturity	2,134	70,113	776,467	290,643	1,477,050	1,749,034	-	4,365,441
Derivative financial instruments	73,779	54,101	67,309	53,005	39,039	693,647	-	980,880
Loans, advances and financing	8,439,808	6,782,444	5,104,902	1,702,467	3,757,799	63,725,535	-	89,512,955
Clients' and brokers' balances	175,874	-	-	-	93,386	-	-	269,260
Other receivables	113,200	41,902	6,237	9,201	63,617	8,271	417,822	660,250
Statutory deposits with Central Banks	-	-	-	-	-	-	3,350,987	3,350,987
Tax recoverable	-	-	-	-	-	-	18,330	18,330
Investment in associated companies	-	-	-	-	-	-	2,209,079	2,209,079
Investment in jointly controlled entity	-	-	-	-	-	-	76,871	76,871
Property and equipment	-	-	-	-	-	-	1,037,885	1,037,885
Investment properties	-	-	-	-	-	-	1,680	1,680
Intangible assets	-	-	-	-	-	-	454,058	454,058
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Total assets	24,655,535	18,743,245	20,000,131	7,487,197	6,592,430	80,711,452	12,095,625	170,285,615

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							
30 June 2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,840,610	21,584,344	15,797,558	17,194,529	15,461,926	4,337,835	-	123,216,802
Deposits and placements of banks and other financial institutions	5,242,296	2,957,151	2,476,870	203,190	-	-	-	10,879,507
Obligations on securities sold under repurchase agreements	-	-	-	-	-	633,797	-	633,797
Bills and acceptances payable	229	4,742	17,934	18,525	199	-	444,462	486,091
Derivative financial instruments	46,233	66,712	118,502	52,495	40,722	813,242	-	1,137,906
Clients' and brokers' balances	138,451	-	-	-	-	-	-	138,451
Payables and other liabilities	2,123,172	352	1,630	-	1,227,249	179,719	332,058	3,864,180
Provision for claims	-	-	-	-	96,818	-	-	96,818
Provision for taxation	-	-	-	-	-	-	228,967	228,967
Deferred tax liabilities	-	-	-	-	-	-	238,333	238,333
Borrowings	-	560,016	-	1,693	267,579	915,050	-	1,744,338
Senior bonds	-	-	-	-	-	1,907,793	-	1,907,793
Subordinated obligations	-	-	-	-	-	4,369,385	-	4,369,385
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,407,283	-	1,407,283
Innovative Tier 1 capital securities	-	-	-	-	-	574,581	-	574,581
Insurance funds*	-	-	-	-	728,312	5,196,073	-	5,924,385
Total liabilities	56,390,991	25,173,317	18,412,494	17,470,432	17,822,805	20,334,758	1,243,820	156,848,617
Total equity	-	-	-	-	-	-	13,281,704	13,281,704
Total liabilities and equity	56,390,991	25,173,317	18,412,494	17,470,432	17,822,805	20,334,758	14,525,524	170,130,321
Net liquidity gap	(31,735,456)	(6,430,072)	1,587,637	(9,983,235)	(11,230,375)	60,376,694	10,851,805	13,436,998

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 1 July 2011 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							
1 July 2011	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	21,507,952	10,502,852	-	-	-	-	629	32,011,433
Securities purchased under resale agreements	86	86,423	73,261	-	-	-	-	159,770
Deposits and placements with banks and other financial institutions	-	-	4,330,613	613,624	243,261	25,897	-	5,213,395
Financial assets held-for-trading	359,520	1,856,735	3,133,910	78,484	148,128	928,724	642,479	7,147,980
Financial investments available-for-sale	70,453	607,528	539,782	197,460	664,279	7,309,696	1,296,718	10,685,916
Financial investments held-to-maturity	350,847	1,061,887	1,842,032	390,801	1,663,021	2,739,040	-	8,047,628
Derivative financial instruments	80,083	22,120	57,341	16,975	160,376	461,269	-	798,164
Loans, advances and financing	24,990,291	5,885,702	3,152,407	1,211,518	2,134,793	45,120,191	-	82,494,902
Clients' and brokers' balances	169,726	-	-	-	66,660	-	-	236,386
Other receivables	449,815	40,083	43,203	4,988	168,936	-	448,579	1,155,604
Statutory deposits with Central Banks	-	-	-	-	-	-	2,220,366	2,220,366
Tax recoverable	-	-	-	-	-	-	9,752	9,752
Investment in associated companies	-	-	-	-	-	-	1,964,951	1,964,951
Investment in jointly controlled entity	-	-	-	-	-	-	75,252	75,252
Property and equipment	-	-	-	-	-	-	1,010,913	1,010,913
Investment properties	-	-	-	-	-	-	1,680	1,680
Intangible assets	-	-	-	-	-	-	382,986	382,986
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Total assets	47,978,773	20,063,330	13,172,549	2,513,850	5,249,454	56,584,817	10,464,949	156,027,722

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 1 July 2011 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							
1 July 2011	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	43,508,516	26,376,772	17,339,479	10,660,988	13,121,843	3,741,380	-	114,748,978
Deposits and placements of banks and other financial institutions	2,833,178	2,859,951	4,006,745	75,101	1,404,945	265,740	-	11,445,660
Bills and acceptances payable	147,996	111,422	79,082	11,251	543	-	333,702	683,996
Derivative financial instruments	41,183	32,977	84,390	28,850	140,991	353,707	-	682,098
Clients' and brokers' balances	177,768	-	-	-	-	-	-	177,768
Payables and other liabilities	2,059,457	352	1,438	-	1,014,691	187,380	591,571	3,854,889
Provision for claims	-	-	-	-	63,763	-	-	63,763
Provision for taxation	-	-	-	-	-	-	77,351	77,351
Deferred tax liabilities	-	-	-	-	-	-	82,378	82,378
Borrowings	-	218,456	480,000	-	1,403,669	112,115	-	2,214,240
Senior bonds	-	-	-	-	-	910,810	-	910,810
Subordinated obligations	-	-	-	-	-	2,885,028	-	2,885,028
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,405,706	-	1,405,706
Innovative Tier 1 capital securities	-	-	-	-	-	595,720	-	595,720
Insurance funds*	-	-	-	-	839,780	4,332,570	-	5,172,350
Total liabilities	48,768,098	29,599,930	22,991,134	10,776,190	17,990,225	14,790,156	1,085,002	145,000,735
Total equity	-	-	-	-	-	-	10,848,887	10,848,887
Total liabilities and equity	48,768,098	29,599,930	22,991,134	10,776,190	17,990,225	14,790,156	11,933,889	155,849,622
Net liquidity gap	(789,325)	(9,536,600)	(8,818,585)	(8,262,340)	(12,740,771)	41,794,661	9,379,947	11,026,987

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Company							
30 June 2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,662	-	-	-	-	-	-	10,662
Deposits and placements with banks and other financial institutions	-	-	-	7,200	900	3,577	-	11,677
Derivative financial instruments	642	-	-	-	218	-	-	860
Other receivables	-	-	-	-	-	-	3,007	3,007
Amount due from subsidiaries	-	-	-	-	-	-	57,656	57,656
Tax recoverable	-	-	-	-	-	-	17,400	17,400
Investment in subsidiary companies	-	-	-	-	-	-	15,105,348	15,105,348
Deferred tax assets	-	-	-	-	-	-	4,977	4,977
Property and equipment	-	-	-	-	-	-	898	898
Intangible assets	-	-	-	-	-	-	11	11
Total assets	11,304	-	-	7,200	1,118	3,577	15,189,297	15,212,496
Liabilities								
Payables and other liabilities	-	-	-	-	-	-	13,245	13,245
Derivative financial instruments	-	-	-	-	-	8,160	-	8,160
Amount due to subsidiaries	-	-	-	-	-	-	1,859	1,859
Borrowings								
- Term loans	-	290,245	-	-	-	-	-	290,245
- Commercial papers	-	624,103	-	-	-	-	-	624,103
- Medium term notes	-	-	-	1,758	-	550,000	-	551,758
Total liabilities	-	914,348	-	1,758	-	558,160	15,104	1,489,370
Net liquidity gap	11,304	(914,348)	-	5,442	1,118	(554,583)	15,174,193	13,723,126

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Company							
30 June 2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	16,600	23,100	-	-	1,200	-	-	40,900
Derivative financial instruments	-	-	-	-	-	196	-	196
Other receivables	-	-	-	-	-	-	2,390	2,390
Amount due from subsidiaries	-	-	-	-	-	-	60,461	60,461
Tax recoverable	-	-	-	-	-	-	16,113	16,113
Investment in subsidiary companies	-	-	-	-	-	-	15,240,532	15,240,532
Property and equipment	-	-	-	-	-	-	1,092	1,092
Intangible asset	-	-	-	-	-	-	15	15
Total assets	16,600	23,100	-	-	1,200	196	15,320,603	15,361,699
Liabilities								
Payables and other liabilities	-	-	-	-	-	-	12,868	12,868
Derivatives financial instruments	-	-	-	-	-	17,545	-	17,545
Borrowings								
- Term loans	-	754	-	-	267,579	200,000	-	468,333
- Commercial papers	-	559,262	-	-	-	-	-	559,262
- Medium term notes	-	-	-	1,693	-	550,000	-	551,693
Total liabilities	-	560,016	-	1,693	267,579	767,545	12,868	1,609,701
Net liquidity gap	16,600	(536,916)	-	(1,693)	(266,379)	(767,349)	15,307,735	13,751,998

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 1 July 2011 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Company							
1 July 2011	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	-	114,050	-	-	-	-	629	114,679
Financial assets held-for-trading	-	-	-	-	-	-	37,814	37,814
Derivative financial instruments	-	-	-	-	-	2,342	-	2,342
Other receivables	-	-	-	-	-	-	2,554	2,554
Amount due from subsidiaries	-	-	-	-	-	2,314,114	43,365	2,357,479
Tax recoverable	-	-	-	-	-	-	8,475	8,475
Investment in subsidiary companies	-	-	-	-	-	-	13,537,942	13,537,942
Property and equipment	-	-	-	-	-	-	1,577	1,577
Intangible asset	-	-	-	-	-	-	12	12
Total assets	-	114,050	-	-	-	2,316,456	13,632,368	16,062,874
Liabilities								
Payables and other liabilities	-	-	-	-	-	-	5,970	5,970
Amount due to subsidiaries	-	-	-	-	-	-	15	15
Derivatives financial instruments	-	-	-	-	-	8,454	-	8,454
Borrowings								
- Term loans	-	-	-	-	1,403,669	112,115	-	1,515,784
- Commercial papers	-	198,381	480,000	-	-	-	-	678,381
Total liabilities	-	198,381	480,000	-	1,403,669	120,569	5,985	2,208,604
Net liquidity gap	-	(84,331)	(480,000)	-	(1,403,669)	2,195,887	13,626,383	13,854,270

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group					
30 June 2013	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	63,996,155	22,014,115	34,560,416	5,099,709	116,018	125,786,413
Deposits and placements of banks and other financial institutions	10,629,828	5,896,142	156,075	-	-	16,682,045
Obligations on securities sold under repurchase agreements	-	1,916,383	-	-	-	1,916,383
Bills and acceptances payable	549,619	207,754	14,319	-	-	771,692
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	(13,371,018)	(6,142,092)	(2,547,841)	(249,941)	(41,492)	(22,352,384)
- Outflow	13,353,588	6,114,668	2,538,696	294,549	43,521	22,345,022
- Net settled derivatives	36,009	15,518	117,718	291,043	127,364	587,652
Clients' and brokers' balances	140,353	-	-	-	-	140,353
Payables and other liabilities	2,646,175	3,300	1,358,612	104,572	511	4,113,170
Provision for claims	-	-	85,255	-	-	85,255
Borrowings	2,103	64,279	350,001	3,068,869	886,789	4,372,041
Senior bonds	-	17,918	47,409	2,055,666	-	2,120,993
Subordinated obligations	-	37,341	615,393	3,022,460	2,177,331	5,852,525
Non-innovative Tier 1 stapled securities	-	-	70,700	1,541,594	-	1,612,294
Innovative Tier 1 capital securities	-	20,682	20,455	165,339	561,818	768,294
Insurance funds *	-	-	934,452	445,077	15,937,522	17,317,051
Total financial liabilities	77,982,812	30,166,008	38,321,660	15,838,937	19,809,382	182,118,799

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group					
30 June 2012	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	70,337,341	15,854,423	33,318,089	7,361,382	95,674	126,966,909
Deposits and placements of banks and other financial institutions	9,766,052	2,287,740	89,504	-	-	12,143,296
Obligations on securities sold under repurchase agreements	-	-	-	712,356	-	712,356
Bills and acceptances payable	446,307	318	671	-	-	447,296
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	(10,421,466)	(6,191,683)	(2,052,710)	(125,081)	(5,115)	(18,796,055)
- Outflow	10,459,404	6,261,572	2,081,406	140,726	5,479	18,948,587
- Net settled derivatives	32,367	21,769	217,345	490,040	96,533	858,054
Clients' and brokers' balances	138,451	-	-	-	-	138,451
Payables and other liabilities	2,430,236	634	1,209,043	179,719	59,357	3,878,989
Provision for claims	-	-	96,818	-	-	96,818
Borrowings	168,802	5,441	313,902	650,192	852,570	1,990,907
Senior bonds	-	18,009	47,404	2,131,734	-	2,197,147
Subordinated obligations	-	28,683	183,429	3,464,878	1,635,370	5,312,360
Non-innovative Tier 1 stapled securities	-	-	70,700	1,612,294	-	1,682,994
Innovative Tier 1 capital securities	-	20,568	20,568	165,000	603,295	809,431
Insurance funds *	-	-	946,111	183,660	14,221,899	15,351,670
Total financial liabilities	83,357,494	18,307,474	36,542,280	16,966,900	17,565,062	172,739,210

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group					
1 July 2011	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	76,091,713	21,814,974	15,218,514	2,446,641	-	115,571,842
Deposits and placements of banks and other financial institutions	7,688,253	3,583,457	226,265	-	-	11,497,975
Bills and acceptances payable	591,703	59,332	9,087	-	-	660,122
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	(8,093,914)	(5,694,334)	(5,994,982)	(1,506,353)	-	(21,289,583)
- Outflow	8,127,034	5,713,716	6,127,019	1,597,864	-	21,565,633
- Net settled derivatives	28,804	39,036	111,770	319,244	18	498,872
Clients' and brokers' balances	177,768	-	-	-	-	177,768
Payables and other liabilities	2,059,011	-	908,216	187,217	43,326	3,197,770
Provision for claims	-	-	63,763	-	-	63,763
Borrowings	26,626	13,023	1,230,679	1,055,236	-	2,325,564
Senior bonds	-	17,181	17,182	1,053,803	-	1,088,166
Subordinated obligations	-	28,278	109,903	3,295,643	-	3,433,824
Non-innovative Tier 1 stapled securities	-	-	70,700	1,682,800	-	1,753,500
Innovative Tier 1 capital securities	-	41,250	20,625	165,000	644,375	871,250
Insurance funds *	-	-	969,369	268,395	12,329,472	13,567,236
Total financial liabilities	86,696,998	25,615,913	19,088,110	10,565,490	13,017,191	154,983,702

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Company					
30 June 2013	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Payables and other liabilities	2,595	550	11,434	-	38	14,617
Amount due to subsidiries	5	12	1,872	-	-	1,889
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	(168,002)	-	-	-	-	(168,002)
- Outflow	167,360	-	-	-	-	167,360
- Net settled derivatives	197	708	1,627	3,780	-	6,312
Borrowings						
- Term loans	762	1,476	154,088	140,089	-	296,415
- Commercial papers	1,341	2,748	12,102	64,764	631,184	712,139
- Medium term notes	-	-	23,710	364,290	255,517	643,517
Total financial liabilities	4,258	5,494	204,833	574,923	886,739	1,674,247

	The Company					
30 June 2012	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Payables and other liabilities	638	580	11,598	-	51	12,867
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	(247,162)	-	-	-	-	(247,162)
- Outflow	247,642	-	-	-	-	247,642
- Net settled derivatives	202	744	1,793	6,506	-	9,245
Borrowings						
- Term loans	2,194	2,180	276,481	200,126	-	480,981
- Commercial papers	1,557	3,114	13,711	73,378	585,376	677,136
- Medium term notes	-	-	23,710	376,688	266,829	667,227
Total financial liabilities	5,071	6,618	327,293	656,698	852,256	1,847,936

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows. (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Company					
1 July 2011	**Up to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities						
Payables and other liabilities	5,985	-	-	-	-	5,985
Derivative financial instruments:						
- Gross settled derivatives:						
- Inflow	-	(124,397)	(78,562)	-	-	(202,959)
- Outflow	-	125,223	77,747	-	-	202,970
- Net settled derivatives	224	602	5,616	17,350	-	23,792
Borrowings						
- Term loans	4,505	9,050	1,213,120	318,203	-	1,544,878
- Commercial papers	1,987	3,973	17,559	737,033	-	760,552
Total financial liabilities	12,701	14,451	1,235,480	1,072,586	-	2,335,218

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

	The Group		
	Less than 1 year RM'000	**Over 1 year RM'000**	**Total RM'000**
30 June 2013			
Direct credit substitutes	**333,012**	**-**	**333,012**
Commitments that are unconditionally cancellable at any time without prior notice	**507,022**	**-**	**507,022**
Short-term self liquidating trade related contingencies	**526,128**	**-**	**526,128**
Irrevocable commitments to extend credit	**17,331,901**	**14,108,639**	**31,440,540**
Unutilised credit card lines	**8,331,904**	**-**	**8,331,904**
Others	**636,675**	**-**	**636,675**
Total commitments and contingencies	**27,666,642**	**14,108,639**	**41,775,281**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies: (continued)

	The Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
30 June 2012			
Direct credit substitutes	494,801	-	494,801
Commitments that are unconditionally cancellable at any time without prior notice	304,099	-	304,099
Short-term self liquidating trade related contingencies	548,528	-	548,528
Irrevocable commitments to extend credit	17,750,840	12,720,869	30,471,709
Unutilised credit card lines	9,200,627	-	9,200,627
Others	461,001	-	461,001
Total commitments and contingencies	28,759,896	12,720,869	41,480,765
1 July 2011			
Direct credit substitutes	559,290	-	559,290
Commitments that are unconditionally cancellable at any time without prior notice	302,249	-	302,249
Short-term self liquidating trade related contingencies	472,183	-	472,183
Irrevocable commitments to extend credit	17,617,166	12,488,631	30,105,797
Unutilised credit card lines	9,296,768	-	9,296,768
Others	413,827	-	413,827
Total commitments and contingencies	28,661,483	12,488,631	41,150,114

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group. The Group expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Credit risk exposure relating to:			
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**25,891,932**	24,665,230	36,640,130
Securities purchased under resale agreement	**1,299,641**	590,521	159,770
Financial assets and investments portfolios (exclude shares)			
- Financial assets held-for-trading	**16,036,523**	22,645,027	6,528,546
- Financial investments available-for-sale	**16,539,033**	12,904,059	9,372,904
- Financial investments held-to-maturity	**4,764,064**	4,265,421	8,047,628
Loans, advances and financing	**96,274,952**	89,512,955	82,494,902
Clients' and brokers' balances	**150,509**	175,875	169,726
Other receivables	**912,855**	676,136	811,210
Derivative financial instruments	**906,483**	980,880	798,164
Commitments and contingencies	**41,775,281**	41,480,765	41,150,114
Total maximum credit risk exposure	**204,551,273**	197,896,869	186,173,094

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company: (continued)

	The Company		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Credit risk exposure relating to:			
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	22,197	40,600	114,050
Financial assets and investments portfolios (exclude shares)			
- Financial assets held-for-trading	-	-	37,814
Other receivables	3,007	2,390	2,554
Derivative financial instruments	860	196	2,342
Total maximum credit risk exposure	26,064	43,186	156,760

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group is 93.26% (30 June 2012: 82.32%; 1 July 2011: 81.65%). The financial effects of collateral held for the remaining financial assets are insignificant.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality

The Group assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Neither past due nor impaired	**86,358,863**	79,772,386	73,697,743
Past due but not impaired	**10,334,509**	10,207,563	9,190,058
Individually impaired	**1,360,566**	1,533,270	1,924,775
Gross loans, advances and financing	**98,053,938**	91,513,219	84,812,576
Fair value changes arising from fair value hedges	**(7,450)**	23,852	-
Unamortised fair value changes arising from terminated fair value hedges	**15,035**	21,570	17,177
- Individual assessment allowance	**(526,270)**	(543,234)	(797,739)
- Collective assessment allowance	**(1,260,301)**	(1,502,452)	(1,537,112)
Net loans, advances and financing	**96,274,952**	89,512,955	82,494,902

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's credit grading system is as follows:

		30 June 2013	30 June 2012	1 July 2011
		RM'000	RM'000	RM'000
Hong Leong Bank Group				
Consumer loans/financing				
Risk Grade				
Good		**55,825,107**	52,253,016	29,608,985
Weakest		**585,284**	610,550	391,613
		56,410,391	52,863,566	30,000,598
Corporates loans/financing				
Risk Grade	Credit Quality			
A	Exceptional	**472,917**	663,847	460,080
B+	Superior	**3,184,551**	2,926,146	2,359,916
B	Excellent	**5,957,259**	4,765,181	2,213,906
B-	Strong	**4,888,015**	3,865,527	1,718,236
C+	Good	**4,838,214**	4,023,771	1,191,087
C	Satisfactory	**4,765,395**	2,616,186	1,443,663
C-	Fair	**3,603,788**	3,429,425	660,143
D+	Adequate	**705,416**	1,707,464	484,629
D	Marginal	**347,411**	508,354	34,315
Un-graded		**341,648**	1,462,022	105,332
		29,104,614	25,967,923	10,671,307

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired (continued)

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's credit grading system is as follows: (continued)

		30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Attributable from Hong Leong Bank Group subsidiaries: EON Bank Berhad Group#				
Consumer loans/financing				
Risk Grade	Credit Quality			
1-3	Good	-	-	6,935,550
4-5	Average	-	-	805,311
6	Weakest	-	-	631,560
Un-graded		-	-	13,895,628
		-	-	22,268,049
Corporates loans/financing				
Risk Grade	Credit Quality			
1-2	Good	-	-	1,854,216
3-4		-	-	3,100,737
5-6		-	-	3,812,864
7-8		-	-	1,185,531
9	Weakest	-	-	22,772
		-	-	9,976,120
Total HLB Group neither past due nor impaired		**85,515,005**	78,831,489	72,916,074
Hong Leong Capital Group				
Risk Grade				
Good		**174,051**	246,211	104,924
Fair		-	1,823	-
		174,051	248,034	104,924

EON Bank Berhad Group's loan portfolio was analysed based on its own credit grading system as at 1 July 2011, pending the completion of harmonisation with Hong Leong Bank Group's credit grading system.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired (continued)

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's credit grading system is as follows: (continued)

	30 June 2013	30 June 2012	1 July 2011
	RM'000	RM'000	RM'000
HLA Holdings Group			
Risk Grade			
Ungraded	**669,807**	683,482	676,745
The Group total neither past due nor impaired	**86,358,863**	79,772,386	73,697,743

(ii) Loans, advances and financing past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Past due less than 30 days	**7,149,476**	6,760,995	6,306,805
Past due 30 to less than 60 days	**2,268,750**	2,493,751	2,110,685
Past due 60 to less than 90 days	**916,283**	952,817	772,568
Past due but not impaired	**10,334,509**	10,207,563	9,190,058

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2013, 30 June 2012 and 1 July 2011 are as follows:

	The Group		
	30 June 2013 RM'000	30 June 2012 RM'000	1 July 2011 RM'000
Gross amount of impaired loans	**1,360,566**	1,533,270	1,924,775
Less: Individual assessment impairment allowance	**(526,270)**	(543,234)	(797,739)
Less: Collective assessment impairment allowance	**(458,603)**	(568,785)	(553,778)
Total net amount of impaired loans	**375,693**	421,251	573,258

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2013, based on Moody's ratings or its equivalent are as follows:

	The Group							
30 June 2013	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
Neither past due nor impaired								
AAA to AA3	3,298,693	-	1,081,560	7,156,266	617,322	-	1,572	184,170
A1 to A3	4,636,736	-	250,044	2,946,770	52,205	-	1,594	496,710
Baa1 to Baa3	19,870	-	59,280	591,939	140,707	-	-	35,818
P1 to P3	720,475	-	230,413	-	-	-	171	-
Non-rated	17,216,158	1,299,641	14,415,226	5,844,058	3,953,830	150,509	909,518	189,785
	25,891,932	1,299,641	16,036,523	16,539,033	4,764,064	150,509	912,855	906,483
Individually impaired	-	-	-	-	-	-	-	-
	25,891,932	1,299,641	16,036,523	16,539,033	4,764,064	150,509	912,855	906,483

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other receivables and derivative financial instruments that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings comprise of mainly placements with BNM.
^ Comprises of securities purchased under resale agreements with local financial institutions.
\# Securities with no ratings consists of government securities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2012, based on Moody's ratings or its equivalent are as follows: (continued)

	The Group							
30 June 2012	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
Neither past due nor impaired								
AAA to AA3	1,903,017	-	642,080	6,542,024	950,575	-	18,967	110,633
A1 to A3	7,329,556	-	398,852	2,197,550	53,104	-	-	658,801
Baa1 to Baa3	946,285	-	55,716	1,314,509	109,514	-	-	71,517
P1 to P3	484,645	-	408,267	9,903	-	-	-	-
Non-rated	14,001,727	590,521	21,140,112	2,835,802	3,136,142	175,875	657,169	139,929
	24,665,230	590,521	22,645,027	12,899,788	4,249,335	175,875	676,136	980,880
Individually impaired	-	-	-	4,271	16,086	-	-	-
	24,665,230	590,521	22,645,027	12,904,059	4,265,421	175,875	676,136	980,880

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other receivables and derivative financial instruments that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings comprise of mainly placements with BNM.
^ Comprises of securities purchased under resale agreements with local financial institutions.
\# Securities with no ratings consists of government securities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 1 July 2011, based on Moody's ratings or its equivalent are as follows: (continued)

	The Group							
1 July 2011	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
Neither past due nor impaired								
AAA to AA3	2,239,748	-	533,759	3,521,771	502,637	-	9,221	337,027
A1 to A3	5,198,402	-	167,908	811,593	-	-	30,108	59,168
Baa1 to Baa3	1,542,605	-	68,210	209,756	16,140	-	-	3,630
P1 to P3	320,109	-	20,143	-	-	-	-	3,367
Non-rated	27,339,266	159,770	5,738,526	4,810,380	7,512,765	169,726	771,881	394,972
	36,640,130	159,770	6,528,546	9,353,500	8,031,542	169,726	811,210	798,164
Individually impaired	-	-	-	19,404	16,086	-	-	-
	36,640,130	159,770	6,528,546	9,372,904	8,047,628	169,726	811,210	798,164

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other receivables and derivative financial instruments that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings comprise of mainly placements with BNM.
^ Comprises of securities purchased under resale agreements with local financial institutions.
\# Securities with no ratings consists of government securities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2013 and 30 June 2012, based on Moody's ratings or its equivalent are as follows: (continued)

	The Company		
	Short-term funds and deposits and placements with banks and others financial institutions RM'000	Other receivables RM'000	Derivative financial instruments RM'000
30 June 2013			
Neither past due nor impaired			
AAA to AA3	**22,197**	**-**	**-**
A1 to A3	**-**	**-**	**-**
Baa1 to Baa3	**-**	**-**	**-**
P1 to P3	**-**	**-**	**-**
Non-rated	**-**	**3,007**	**860**
	22,197	**3,007**	**860**
Individually impaired	**-**	**-**	**-**
	22,197	**3,007**	**860**
30 June 2012			
Neither past due nor impaired			
AAA to AA3	40,600	-	-
A1 to A3	-	-	-
Baa1 to Baa3	-	-	-
P1 to P3	-	-	-
Non-rated	-	2,390	196
	40,600	2,390	196
Individually impaired	-	-	-
	40,600	2,390	196

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 1 July 2011, based on Moody's ratings or its equivalent are as follows: (continued)

	The Company			
1 July 2011	**Short-term funds and deposits and placements with banks and others financial institutions RM'000**	**Financial assets held-for-trading RM'000**	**Other receivables RM'000**	**Derivative financial instruments RM'000**
Neither past due nor impaired				
AAA to AA3	114,050	-	-	-
A1 to A3	-	-	-	-
Baa1 to Baa3	-	-	-	-
P1 to P3	-	-	-	-
Non-rated	-	37,814	2,554	2,342
	114,050	37,814	2,554	2,342
Individually impaired	-	-	-	-
	114,050	37,814	2,554	2,342

(iv) Collateral and other credit enhancements obtained

	The Group		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Properties	**73,339,375**	66,177,570	56,875,060

Repossessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below:

	The Group											
30 June 2013	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related and undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	16,227	76,282	10,040	2,423,985	-	-	-	2,526,534	1,046,250	4,058
Mining and quarrying	-	-	-	-	-	278,258	-	-	-	278,258	63,712	703
Manufacturing	-	-	40,697	136,772	10,158	8,722,256	-	207	-	8,910,090	6,211,670	214,797
Electricity, gas and water	-	-	76,383	981,874	25,913	227,924	-	2,010	-	1,314,104	91,812	-
Construction	-	-	50,586	181,769	-	1,674,929	-	379	4,862	1,912,525	1,532,065	16,152
Wholesale and retail	-	-	45,632	20,150	15,383	8,812,149	-	-	-	8,893,314	5,926,243	286,905
Transport, storage and communications	-	-	32,617	155,007	5,065	1,534,920	-	140	-	1,727,749	848,799	56,783
Finance, insurance, real estate and business services	9,390,690	1,025,253	13,939,674	10,131,712	392,365	10,190,780	-	889,314	901,621	46,861,409	4,871,747	44,556
Government and government agencies	16,501,242	274,388	1,775,576	4,601,735	4,005,547	-	-	18,319	-	27,176,807	-	-
Education, health and others	-	-	-	-	-	626,851	-	-	-	626,851	267,376	151,944
Household	-	-	-	-	-	60,039,456	-	-	-	60,039,456	19,892,646	7,465
Others	-	-	59,131	253,732	299,593	1,743,444	150,509	2,486	-	2,508,895	214,571	25,027
	25,891,932	1,299,641	16,036,523	16,539,033	4,764,064	96,274,952	150,509	912,855	906,483	162,775,992	40,966,891	808,390

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below: (continued)

	The Group											
30 June 2012	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related and undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	127,221	-	1,781,792	-	-	-	1,909,013	1,192,463	38,250
Mining and quarrying	-	-	-	12,501	-	186,330	-	-	-	198,831	61,883	3,949
Manufacturing	-	-	5,262	178,796	10,208	8,449,789	-	-	-	8,644,055	6,261,776	292,113
Electricity, gas and water	-	-	81,274	863,172	41,306	374,999	-	-	-	1,360,751	89,951	56,375
Construction	-	-	15,196	213,620	-	1,954,042	-	-	2,250	2,185,108	1,732,597	28,685
Wholesale and retail	-	-	-	15,574	15,506	7,357,825	-	-	-	7,388,905	76	312,304
Transport, storage and communications	-	-	33,057	286,611	5,077	1,237,622	-	-	-	1,562,367	1,162,526	128,563
Finance, insurance, real estate and business services	10,703,589	590,521	19,488,016	8,481,174	668,348	9,561,163	-	598,235	978,630	51,069,676	3,937,078	59,327
Government and government agencies	13,961,641	-	3,013,881	2,338,649	3,200,017	-	-	35,176	-	22,549,364	-	-
Education, health and others	-	-	-	-	-	1,020,695	-	-	-	1,020,695	134,797	1,500
Household	-	-	-	-	-	56,134,194	-	-	-	56,134,194	24,637,107	17,183
Others	-	-	8,341	386,741	324,959	1,454,504	175,875	42,725	-	2,393,145	1,277,932	54,330
	24,665,230	590,521	22,645,027	12,904,059	4,265,421	89,512,955	175,875	676,136	980,880	156,416,104	40,488,186	992,579

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below: (continued)

	The Group											
1 July 2011	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related and undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	14,516	47,777	-	1,709,796	-	-	-	1,772,089	1,255,774	21,009
Mining and quarrying	-	-	-	-	-	140,912	-	-	-	140,912	90,758	6,188
Manufacturing	-	-	7,284	118,586	10,707	7,116,717	-	-	-	7,253,294	5,301,252	284,741
Electricity, gas and water	-	-	54,920	672,963	89,589	395,651	-	-	-	1,213,123	164,880	28,478
Construction	-	-	-	35,706	-	2,717,479	-	-	-	2,753,185	3,572,196	86,852
Wholesale and retail	-	-	39,768	28,524	20,147	6,567,152	-	-	-	6,655,591	1,632,044	309,204
Transport, storage and communications	-	-	63,153	220,384	24,129	1,543,458	-	-	-	1,851,124	866,959	148,026
Finance, insurance, real estate and business services	11,794,434	-	4,852,016	4,147,149	2,999,635	7,849,599	-	492,925	798,164	32,933,922	3,246,211	89,775
Government and government agencies	24,845,696	159,770	1,490,810	3,739,398	4,825,212	-	-	303,933	-	35,364,819	-	-
Education, health and others	-	-	-	-	-	628,783	-	-	-	628,783	369,703	22,234
Household	-	-	-	-	-	52,721,961	-	-	-	52,721,961	22,157,927	10,840
Others	-	-	6,079	362,417	78,209	1,103,394	169,726	14,352	-	1,734,177	1,460,937	24,126
	36,640,130	159,770	6,528,546	9,372,904	8,047,628	82,494,902	169,726	811,210	798,164	145,022,980	40,118,641	1,031,473

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Company's financial assets are set out below:

	The Company			
	Short-term funds and placements with banks and other financial institutions RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000
30 June 2013				
Agriculture	-	-	-	-
Mining and quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, gas and water	-	-	-	-
Construction	-	-	-	-
Wholesale and retail	-	-	-	-
Transport, storage and communications	-	-	-	-
Finance, insurance, real estate and business services	**22,197**	**3,007**	**860**	**26,064**
Government and government agencies	-	-	-	-
Education, health and others	-	-	-	-
Household	-	-	-	-
Others	-	-	-	-
	22,197	**3,007**	**860**	**26,064**
30 June 2012				
Agriculture	-	-	-	-
Mining and quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, gas and water	-	-	-	-
Construction	-	-	-	-
Wholesale and retail	-	-	-	-
Transport, storage and communications	-	-	-	-
Finance, insurance, real estate and business services	40,600	2,390	196	43,186
Government and government agencies	-	-	-	-
Education, health and others	-	-	-	-
Household	-	-	-	-
Others	-	-	-	-
	40,600	2,390	196	43,186

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

49 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Company's financial assets are set out below: (continued)

	The Company				
1 July 2011	**Short-term funds and placements with banks and other financial institutions RM'000**	**Financial assets held-for-trading RM'000**	**Other receivables RM'000**	**Derivative financial instruments RM'000**	**Total credit risk exposures RM'000**
Agriculture	-	-	-	-	-
Mining and quarrying	-	-	-	-	-
Manufacturing	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-
Construction	-	-	-	-	-
Wholesale and retail	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-
Finance, insurance, real estate and business services	114,050	37,814	2,554	2,342	156,760
Government and government agencies	-	-	-	-	-
Education, health and others	-	-	-	-	-
Household	-	-	-	-	-
Others	-	-	-	-	-
	114,050	37,814	2,554	2,342	156,760

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 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 statement 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.

(a) 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 market data.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) 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:

	The Group			
	Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2013				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	**-**	**14,839,670**	**-**	**14,839,670**
- Quoted securities	**767,818**	**-**	**-**	**767,818**
- Unquoted securities	**-**	**1,196,832**	**-**	**1,196,832**
Financial investments available-for-sale				
- Money market instruments	**-**	**5,432,084**	**-**	**5,432,084**
- Quoted securities	**5,439,580**	**-**	**-**	**5,439,580**
- Unquoted securities	**-**	**11,107,248**	**332,796**	**11,440,044**
Derivative financial instruments	**1,536**	**904,947**	**-**	**906,483**
	6,208,934	**33,480,781**	**332,796**	**40,022,511**
Financial liabilities				
Derivative financial instruments	**3,790**	**1,005,631**	**-**	**1,009,421**
	3,790	**1,005,631**	**-**	**1,009,421**
30 June 2012				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	21,638,235	-	21,638,235
- Quoted securities	697,565	-	-	697,565
- Unquoted securities	-	1,004,340	-	1,004,340
Financial investments available-for-sale				
- Money market instruments	-	3,003,102	-	3,003,102
- Quoted securities	2,131,040	-	-	2,131,040
- Unquoted securities	-	9,901,256	315,577	10,216,833
Derivative financial instruments	142	980,738	-	980,880
	2,828,747	36,527,671	315,577	39,671,995
Financial liabilities				
Derivative financial instruments	1,437	1,136,469	-	1,137,906
	1,437	1,136,469	-	1,137,906

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) 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			
	Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1 July 2011				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	5,841,624	-	5,841,624
- Quoted securities	660,002	-	-	660,002
- Unquoted securities	-	646,354	-	646,354
Financial investments available-for-sale				
- Money market instruments	-	4,363,533	-	4,363,533
- Quoted securities	1,079,973	-	-	1,079,973
- Unquoted securities	-	5,010,329	232,081	5,242,410
Derivative financial instruments	232	797,932	-	798,164
	1,740,207	16,659,772	232,081	18,632,060
Financial liabilities				
Derivative financial instruments	2,589	679,509	-	682,098
	2,589	679,509	-	682,098

	The Company			
	Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2013				
Financial assets				
Derivative financial instruments	**-**	**860**	**-**	**860**
	-	**860**	**-**	**860**
Financial liabilities				
Derivative financial instruments	**-**	**8,160**	**-**	**8,160**
	-	**8,160**	**-**	**8,160**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

	The Company			
	Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2012				
Financial assets				
Derivative financial instruments	-	196	-	196
	-	196	-	196
Financial liabilities				
Derivative financial instruments	-	17,545	-	17,545
	-	17,545	-	17,545
1 July 2011				
Financial assets				
Financial assets held-for-trading				
- Quoted securities	37,814	-	-	37,814
Derivative financial instruments	-	2,342	-	2,342
	37,814	2,342	-	40,156
Financial liabilities				
Derivative financial instruments	-	8,454	-	8,454
	-	8,454	-	8,454

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial Instruments not measured at fair value

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

	The Group	
	Financial investments available-for-sale	
	2013 RM'000	2012 RM'000
As at 1 July	315,577	232,081
Realised loss arising from disposal recognised in statements of income	-	(92)
Net fair value changes recognised in other comprehensive income	18,978	83,888
Sales	-	(300)
Provision of impairment losses	(1,759)	-
As at 30 June	332,796	315,577
Total gain recognised in other comprehensive income relating to assets held at the end of financial year	18,978	83,888

The carrying amount and fair value of those financial assets and financial liabilities not measured on the Group's statements of financial position at fair values:

	The Group	
	Carrying Amount RM'000	Fair Value RM'000
30 June 2013		
Financial assets		
Financial investments held-to-maturity		
- Money market instruments	4,020,518	3,996,343
- Unquoted securities	796,152	832,815
Loans, advances and financing	96,274,952	96,627,429
	101,091,622	101,456,587
Financial liabilities		
Deposits from customers	123,958,705	124,361,851
Borrowings	3,526,161	3,327,359
Senior bonds	1,902,171	1,945,292
Subordinated obligations	4,873,509	4,802,635
Non-innovative Tier 1 stapled securites	1,408,992	1,449,858
Innovative Tier 1 capital securities	556,042	613,534
	136,225,580	136,500,529

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial Instruments not measured at fair value (continued)

The carrying amount and fair value of those financial assets and financial liabilities not measured on the Group's statements of financial position at fair values: (continued)

	The Group	
	Carrying Amount RM'000	Fair Value RM'000
30 June 2012		
Financial assets		
Financial investments held-to-maturity		
- Money market instruments	3,390,342	3,397,632
- Unquoted securities	975,099	999,478
Loans, advances and financing	89,512,955	90,392,494
	93,878,396	94,789,604
Financial liabilities		
Deposits from customers	123,216,802	123,706,750
Borrowings	1,744,338	1,724,367
Senior bonds	1,907,793	1,943,282
Subordinated obligations	4,369,385	4,182,356
Non-innovative Tier 1 stapled securites	1,407,283	1,443,117
Innovative Tier 1 capital securities	574,581	605,013
	133,220,182	133,604,885
1 July 2011		
Financial assets		
Financial investments held-to-maturity		
- Money market instruments	7,578,954	7,593,529
- Unquoted securities	468,674	500,457
Loans, advances and financing	82,494,902	83,053,600
	90,542,530	91,147,586
Financial liabilities		
Deposits from customers	114,748,978	114,866,113
Borrowings	2,214,240	2,214,240
Senior bonds	910,810	915,612
Subordinated obligations	2,885,028	2,535,469
Non-innovative Tier 1 stapled securites	1,405,706	1,412,261
Innovative Tier 1 capital securities	595,720	583,378
	122,760,482	122,527,073

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Subordinated obligations, senior bonds, stapled securities and capital securities

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Borrowings

The estimated fair values of borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Company would receive or pay to terminate the contracts at the statements of financial position date.

Non-financial assets and liabilities

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of MFRS 132 which requires the fair value information to be disclosed.

51 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme

There are two Executive Share Option Schemes ("ESOS" or "Scheme") established and implemented concurrently by the Company.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016" or "Scheme 2006/2016")

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("ESOS 2006/2016 Aggregate Maximum Allocation").

3. The Scheme 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder during his employment with the HLFG Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2006/2016.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS 2006/2016; or a combination of both new shares and existing shares.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

51 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

(a) *Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016" or "Scheme 2006/2016")* (continued)

A trust has been set up for the ESOS 2006/2016 and it is administered by an appointed trustee. This 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 with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS scheme is charged to the statements of income.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

The Company has also entered into a supplemental trust deed with the trustee for the ESOS 2006/2016 and following this, HLFG shares currently held by the trustee for the ESOS 2006/2016 would also be applied for the ESOS 2013/2023.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group			
	2013		2012	
	Number of trust shares held '000	Cost RM'000	Number of trust shares held '000	Cost RM'000
As at 1 July	**13,008**	**62,705**	15,790	72,517
Purchase of treasury shares	**310**	**3,676**	500	6,060
Exercise of ESOS	**(3,282)**	**(16,423)**	(3,282)	(15,872)
As at 30 June	**10,036**	**49,958**	13,008	62,705

	The Company			
	2013		2012	
	Number of trust shares held '000	Cost RM'000	Number of trust shares held '000	Cost RM'000
As at 1 July	**9,722**	**47,085**	12,270	55,786
Purchase of treasury shares	**310**	**3,676**	500	6,060
Exercise of ESOS	**(2,688)**	**(13,600)**	(3,048)	(14,761)
As at 30 June	**7,344**	**37,161**	9,722	47,085

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

51 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

(b) Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023" or "Scheme 2013/2023")

The ESOS 2013/2023 of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS 2013/2023 are, inter alia, as follows:

1. Eligible executives are those executives of the HLFG Group who have been confirmed in service on the date of offer or Directors of the HLFG Group. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options.

2. At any point of time during the existence of the ESOS 2013/2023, the aggregate number of shares to be issued under the ESOS 2013/2023 and any other ESOS established by HLFG which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("ESOS 2013/2023 Aggregate Maximum Allocation").

3. The Scheme 2013/2023 shall be in force for a period of ten (10) years from 12 March 2013.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment with the HLFG Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2013/2023.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Since the commencement of the ESOS 2013/2023, the maximum allocation applicable to directors and senior management of the HLFG Group is 50% of the ESOS 2013/2023 Aggregate Maximum Allocation. There were no options granted under the ESOS 2013/2023 of the Company during the financial year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

51 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

The current ESOS options granted have performance and/or service based vesting conditions. Generally, the share options granted can be classified into 2 categories:-

(i) An award that is conditional upon achieving agreed key performance indicators and milestones; and/or

(ii) An award for the recognition of material and positive accomplishments towards building a strong and sustainable underlying business value, preserving and enhancing the quality of assets and for shareholders wealth creation.

The ordinary shares options of the Company granted under the ESOS scheme are as follows:

(a) 12,500,000 share options at an exercise price of RM5.92:

2013								
Grant date	Expiry date	As at 1 July 2012	Granted	Forfeited	Expired	Exercised	Outstanding as at 30 June 2013	Exercisable as at 30 June 2013
16-Mar-07	October 2013	2,688,000	-	-	-	(2,688,000)	-	-
16-Mar-07	October 2014	1,344,000	-	-	-	-	1,344,000	-
		4,032,000	-	-	-	(2,688,000)	1,344,000	-

2012								
Grant date	Expiry date	As at 1 July 2011	Granted	Forfeited	Expired	Exercised	Outstanding as at 30 June 2012	Exercisable as at 30 June 2012
16-Mar-07	October 2012	360,000	-	-	-	(360,000)	-	-
16-Mar-07	October 2012	3,360,000	-	(672,000)	-	(2,688,000)	-	-
16-Mar-07	October 2013	3,360,000	-	(672,000)	-	-	2,688,000	-
16-Mar-07	October 2014	1,680,000	-	(336,000)	-	-	1,344,000	-
		8,760,000	-	(1,680,000)	-	(3,048,000)	4,032,000	-

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 2 to 6 years from grant date.

The weighted average share price of the options at the time of exercise was RM14.37 (2012: RM11.90).

The weighted average remaining contractual life for the share is 1.32 years (2012: 1.66 years).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

51 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

(b) 6,000,000 share options at an exercise price of RM11.77:

2013 Grant date	Expiry date	As at 1 July 2012	Granted	Forfeited	Expired	Exercised	Outstanding as at 30 June 2013	Exercisable as at 30 June 2013
2-Apr-12	July 2014	**3,000,000**	**-**	**-**	**-**	**-**	**3,000,000**	**3,000,000**
2-Apr-12	July 2015	**3,000,000**	**-**	**-**	**-**	**-**	**3,000,000**	**3,000,000**
		6,000,000	**-**	**-**	**-**	**-**	**6,000,000**	**6,000,000**

2012 Grant date	Expiry date	As at 1 July 2011	Granted	Forfeited	Expired	Exercised	Outstanding as at 30 June 2012	Exercisable as at 30 June 2012
2-Apr-12	July 2014	-	3,000,000	-	-	-	3,000,000	3,000,000
2-Apr-12	July 2015	-	3,000,000	-	-	-	3,000,000	3,000,000
		-	6,000,000	-	-	-	6,000,000	6,000,000

The estimated fair value of each share option granted is between RM1.90 to RM2.24 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM12.32, exercise price of RM11.77, expected volatility of 22%, expected yield of 2% and a weighted average risk-free interest rate of 3.7%.

The vesting conditions for the above share options is based on service (time) based periods. The vesting period of the options range from 2 to 3 years from grant date.

The weighted average remaining contractual life for the share is 1.50 years (2012: 2.50 years).

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 24 July 2012, HLFG announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLFG Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.00 comprising 100 ordinary shares. The activity for HLFGPI is investment holding.

(b) On 26 July 2012, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG, proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares) ("HLB ESOS 2013/2023").

Bursa Malaysia Securities Berhad ("Bursa Securities") had, via its letter dated 18 September 2012, resolved to approve the listing of and quotation for the new HLB shares to be issued pursuant to the exercise of the options under the HLB ESOS 2013/2023, and the shareholders of HLB had, at the Annual General Meeting held on 25 October 2012, approved the HLB ESOS 2013/2023.

The HLB ESOS 2013/2023, was established on 12 March 2013 and would be in force for a period of ten (10) years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(c) On 30 July 2012, HLFG proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLFG (excluding treasury shares) ("HLFG ESOS 2013/2023").

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the listing of and quotation for the new HLFG shares to be issued pursuant to the exercise of the options under the HLFG ESOS 2013/2023, and the shareholders of HLFG had, at the Annual General Meeting held on 30 October 2012, approved the HLFG ESOS 2013/2023.

The HLFG ESOS 2013/2023 was established on 12 March 2013 and would be in force for a period of ten (10) years.

(d) On 13 August 2012, Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") increased its authorised share capital by 120,000,000 shares of RM1 each from RM500,000,000 comprising 500,000,000 shares of RM1 each to RM620,000,000 comprising 620,000,000 shares of RM1 each.

On the same day, HLIB further increased its authorised share capital by way of 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

(e) On 13 August 2012, Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFG, announced that Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia") had entered into a Business Transfer Agreement with HLIB for the transfer of the entire assets, liabilities, activities, business and undertakings of Promilia ("Promilia's Business Undertakings") to HLIB for a provisional consideration of RM251.30 million.

On 1 October 2012, HLCB, announced that Promilia's Business Undertakings had been vested to HLIB on 29 September 2012 ("Vesting") pursuant to the Vesting Order granted by the High Court of Malaya. Accordingly, all of the direct subsidiaries of Promilia had, on the event day, become direct subsidiaries of HLIB.

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

(f) On 1 December 2009, HLA Holdings Sdn Bhd ("HLAH"), a wholly-owned subsidiary of HLFG, appointed CIMB Investment Bank Berhad to create and issue up to RM2.0 billion in nominal value of medium term notes ("MTN") under a proposed MTN Programme to raise funds for investment purpose.

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

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

(g) The acquisition of 100% equity interest in RC Holdings Sdn Bhd ("RCH") by HLAH ("Acquisition of RCH") was completed on 19 July 2012 as per the Sale Shares Agreement dated 28 June 2012 between HLAH and Promilia.

Subsequent to the Acquisition of RCH, HLAH subscribed 50,000 and 1,950,000 new RCH Redeemable Convertible Preference Shares at an issue price of RM1,000 each on 10 August 2012 and 14 August 2012 respectively.

(h) OSK Investment Bank Berhad ("OSK"), on behalf of HLFG announced that HLFG through OSK had served a notice of conditional voluntary take-over offer on the Board of Directors of HLCB on 14 January 2013 to acquire all the ordinary shares of RM1.00 in HLCB other than those already held by HLFG ("Offer Share") at a cash offer price of RM1.71 per Offer Share ("Offer").

On 18 February 2013, HLFG had received approval from BNM in relation to the Offer and the Offer had become unconditional.

The Offer had closed on 25 February 2013 and the acceptance of the Offer received by HLFG representing 2.24% of the issued and paid-up capital of HLCB. Accordingly, HLFG's equity interest in HLCB had increased to 81.33%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

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

On 20 December 2012, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, 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.

(j) HLB had, on 1 March 2013, announced the incorporation of Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary in Cambodia on 18 February 2013, with a capital of USD37,500,000 which was approximately equivalent to RM116,175,000. The activity for HLBCAM is to carry out commercial banking business.

(k) On 1 March 2013, HLCB announced that the public shareholding spread of HLCB was 9.66% based on the Record of Depositors of HLCB as at 28 February 2013. As the public shareholding spread of HLCB was less than 10% of the total HLCB shares in issue, pursuant to paragraph 16.02(2) of the Main Market Listing Requirements ("MMLR"), Bursa Securities shall suspend the trading of HLCB shares with effect from 15 April 2013, being the market day immediately following the expiry of 30 market days from 1 March 2013.

On 21 March 2013, HLCB announced that as the public shareholding spread of HLCB was more than 10% of the total HLCB shares in issue, the suspension of the trading of HLCB shares on 15 April 2013 pursuant to paragraph 16.02(2) of the MMLR shall no longer apply.

On 26 June 2013, HLCB announced that the public shareholding spread of HLCB was 9.63% as at 26 June 2013. As the public shareholding spread of HLCB was less than 10% of the total HLCB shares in issue, pursuant to paragraph 16.02(2) of the MMLR, Bursa Securities shall suspend the trading of HLCB shares with effect from 12 August 2013, being the market day immediately following the expiry of 30 market days from 26 June 2013.

(l) On 28 June 2013, HLFG announced that HLFGPI had entered into a joint venture agreement with CIMB Strategic Assets Sdn Bhd ("CIMBSA"), a wholly-owned subsidiary of CIMB Group Holdings Berhad, to establish a joint venture investment holding company to be incorporated in Labuan ("Joint Venture Entity"), in which CIMBSA and HLFGPI would each hold 50% of the equity interests respectively. The Joint Venture Entity, Bangsar Capital Holdings (L) Limited, which has yet to be incorporated as at 30 June 2013, will establish and manage a private equity fund.

53 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) On 4 July 2013, HLB announced that HLBCAM had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.

(b) On 25 July 2013, HLB proposed to establish an executive share grant scheme to provide HLB with the flexibility to reward the eligible executives and/or Directors of HLB and its subsidiaries ("HLB Group") ("HLB Eligible Executives") for their contribution to the HLB Group with awards of HLB shares without any contribution payable by the HLB Eligible Executives ("HLB Grants") ("Proposed HLB ESGS").

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

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

Bursa Securities had, via its letter dated 10 September 2013, resolved to approve in-principle Proposed Listing of New HLB Shares.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

53 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (CONTINUED)

(c) On 26 July 2013, HLCB announced that as the public shareholding spread of HLCB was more than 10% of the total HLCB shares in issue, the suspension of the trading of HLCB shares on 12 August 2013 pursuant to paragraph 16.02(2) of the Main Market Listing Requirements shall no longer apply.

(d) On 29 July 2013, HLFG proposed to establish an executive share grant scheme to provide HLFG with the flexibility to reward the eligible executives and/or Directors of HLFG and its subsidiaries ("HLFG Group") ("HLFG Eligible Executives") for their contribution to the HLFG Group with awards of HLFG shares without any contribution payable by the HLFG Eligible Executives ("HLFG Grants") ("Proposed HLFG ESGS").

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

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

Bursa Securities had, via its letter dated 5 September 2013, resolved to approve in-principle Proposed Listing of New HLFG Shares.

54 CHANGE IN COMPARATIVES

(a) Adoption of MFRS

(i) MFRS 1 mandatory exceptions

Estimates

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

(ii) MFRS 1 exception options

Exemption for business combinations

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

Exemption for deemed cost investments in subsidiaries

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

Re-designation of previously recognised financial instruments

MFRS 1 allows an entity to designate a previously recognised financial instrument as available-for-sale or fair value through profit or loss on the transition date, provided the criteria in MFRS 139 "Financial Investment: Recognition and Measurement" are met. Consequently, the Group has designated previously recognised financial investments available-for-sale with fair value amount of RM173,256,000 as financial assets held-for-trading at transition date. The Group has also designated previously held financial investments held-to-maturity to financial investments available-for-sale. The fair value of financial investments available-for-sale and the carrying amount of the financial investments held-to-maturity at transition date are RM60,199,000 and RM60,570,000 respectively for the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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54 CHANGE IN COMPARATIVES (continued)

(a) Adoption of MFRS (continued)

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

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

(a) Reconciliation of equity

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

	The Company	
	30 June 2012 RM'000	1 July 2011 RM'000
Equity as reported under FRS	2,607,406	2,709,678
Add: Transitioning adjustments:		
Deemed cost investments in subsidiaries	11,144,592	11,144,592
Equity on transition to MFRS	13,751,998	13,854,270

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

(a) Adoption of MFRS (continued)

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

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

(b) Reconciliation of total comprehensive income

	The Group
	30 June 2012 RM'000
Total comprehensive income as reported under FRS	1,781,350
Add/(less): Transitioning adjustments:	
Effect of full adoption of MFRS 139	102,258
Redesignation of financial investments available-for-sale to held-for-trading	(6,273)
Redesignation of financial instruments held-to-maturity to available-for-sale	8,319
Unallocated surplus and available-for-sale reserve of non DPF	44,247
Income tax arising from transitional adjustments	170
Total comprehensive income upon transition to MFRS	1,930,071

(c) Impact to statement of income and statement of cash flows

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

(b) Change in accounting policy

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

Write-back of collective assessment allowances arising from removal of BNM transitional provision

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

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

The change in accounting policies mentioned above have been accounted for retrospectively in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

(b) Change in accounting policy (continued)

(i) MFRS 139 "Financial Instruments: Recognition and Measurement" (continued)

Re-designation of previously recognised financial instruments

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

(ii) MFRS 4 "Insurance Contract"

Under the previous financial reporting framework, FRS, HLA recognised unallocated surplus and AFS reserves of non-DPF insurance contract as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

Following the transition from FRS to MFRS and in accordance with MFRS 4 "Insurance Contract", the Group and the insurance subsidiary has classified the unallocated surplus and AFS reserves of non-DPF insurance contracts as equity of the company. This change in accounting policy has been accounted for retrospectively in the financial statements.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

The impact of the above on the financial statements of the Group are set out as follows:

	The Group					
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of full adoption of MFRS 139 RM'000	Effect of adopting MFRS 4 RM'000	Effect of adopting FRSIC 18 RM'000	As restated RM'000
As at 30 June 2012						
Statement of financial position						
Assets						
Cash and short-term funds	21,582,839	-	-	-	(461,800)	21,121,039
Financial assets held-for-trading	23,066,887	273,253	-	-	-	23,340,140
Financial investments available-for-sale	15,393,755	(207,512)	164,732	-	-	15,350,975
Financial investments held-to-maturity	4,587,966	(63,745)	(158,780)	-	-	4,365,441
Loans, advances and financing						
- Net loans, advances and financing	89,120,706	-	382,868	-	9,381	89,512,955
- Collective impairment allowances	(1,885,320)	-	382,868	-	-	(1,502,452)
Clients' and brokers' balances	269,404	-	(144)	-	-	269,260
Other receivables	659,451	-	-	-	799	660,250
Liabilities						
Clients' and brokers' balances	590,071	-	-	-	(451,620)	138,451
Provision for taxation	164,331	(2,958)	67,594	-	-	228,967
Deferred tax liabilities	106,196	3,457	29,182	99,498	-	238,333
Insurance funds	6,620,850	-	-	(541,171)	-	6,079,679
Statement of changes in equity						
Fair value reserves	97,530	46,181	3,715	32,080	-	179,506
Retained profits	5,562,666	(44,935)	190,353	277,671	-	5,985,755
Non-controlling interests	4,153,189	251	97,832	131,922	-	4,383,194
Commitments and contingencies	153,874,343	-	-	-	461,001	154,335,344

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

The impact of the above on the financial statements of the Group are set out as follows: (continued)

	The Group					
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of full adoption of MFRS 139 RM'000	Effect of adopting MFRS 4 RM'000	Effect of adopting FRSIC 18 RM'000	As restated RM'000
As at 1 July 2011						
Statement of financial position						
Assets						
Cash and short-term funds	32,424,991	-	-	-	(413,558)	32,011,433
Financial assets held-for-trading	6,974,724	173,256	-	-	-	7,147,980
Financial investments available-for-sale	10,798,973	(113,057)	-	-	-	10,685,916
Financial investments held-to-maturity	8,108,198	(60,570)	-	-	-	8,047,628
Loans, advances and financing						
- Net loans, advances and financing	82,240,056	-	254,846	-	-	82,494,902
- Collective impairment allowances	(1,791,958)	-	254,846	-	-	(1,537,112)
Clients' and brokers' balances	236,393	-	(7)	-	-	236,386
Other receivables	1,155,873	-	-	-	(269)	1,155,604
Liabilities						
Clients' and brokers' balances	591,595	-	-	-	(413,827)	177,768
Provision for taxation	80,575	(3,277)	53	-	-	77,351
Deferred tax (assets)/liabilities	(72,694)	3,184	63,656	88,232	-	82,378
Insurance funds	5,834,179	-	-	(483,729)	-	5,350,450
Statement of changes in equity						
Fair value reserves	88,880	22,873	-	36,133	-	147,886
Retained profits	4,911,368	(23,104)	126,353	241,038	-	5,255,655
Non-controlling interests	2,791,539	(47)	64,777	118,326	-	2,974,595
Commitments and contingencies	142,202,689	-	-	-	413,827	142,616,516

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

The impact of the above on the financial statements of the Group are set out as follows: (continued)

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

54 CHANGE IN COMPARATIVES (continued)

The impact of the above on the financial statements of the Group are set out as follows: (continued)

	The Group				
For the financial year ended 30 June 2012	**As previously reported RM'000**	**Effect of adopting MFRS 1 RM'000**	**Effect of full adoption of MFRS 139 RM'000**	**Effect of adopting MFRS 4 RM'000**	**As restated RM'000**
Statement of income					
Non interest income	1,092,869	(38,553)	-	64,502	1,118,818
Allowances for impairment losses on loans, advances and financing and other losses	(108,030)	-	127,885	-	19,855
Writeback of impairment losses	22,147	17,368	-	-	39,515
Profit before taxation	2,222,546	(21,185)	127,885	64,502	2,393,748
Taxation	(495,875)	(320)	(31,579)	(12,536)	(540,310)
Net profit for the financial year	1,726,671	(21,505)	96,306	51,966	1,853,438
Attributable to:					
Owners of the parents	1,154,766	(21,831)	64,000	36,633	1,233,568
Non-controlling interest	571,905	326	32,306	15,333	619,870
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)					
- basic	111.1	(2.1)	6.1	3.5	118.6
- fully diluted	110.5	(2.1)	6.1	3.5	118.0
Statement of comprehensive income					
Net profit for the financial year	1,726,671	(21,505)	96,306	51,966	1,853,438
Net fair value changes on financial investments available-for-sale	66,848	23,551	5,952	(7,719)	88,632
Income tax relating to components of other comprehensive (income)/expenses	(26,108)	(272)	(1,488)	1,930	(25,938)
Total comprehensive income for the financial year, net of tax	1,781,350	1,774	100,770	46,177	1,930,071
Attributable to:					
Owners of the parents	1,177,291	1,477	67,715	32,580	1,279,063
Non-controlling interests	604,059	297	33,055	13,597	651,008

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

55 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
2013			
Financial investments available-for-sale			
- net fair value gain/(loss) and amount transfer to statements of income	**93,060**	**(25,816)**	**67,244**
2012			
Financial investments available-for-sale			
- net fair value gain/(loss) and amount transfer to statements of income	88,632	(25,938)	62,694

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for impairment losses on loans, advances and financing

The Group review their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group to establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Assumption are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(c) Impairment of goodwill

The goodwill impairment assessment involves a significant amount of estimation. This includes identification of independent cash-generating units ("CGUs") and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the CGUs. Management are exercises judgement in determining both the growth rate and the discount rate used to discount future expected cash flows to the CGUs.

57 CLIENT TRUST ACCOUNTS

As at 30 June 2013, cash held in trust for the clients by the Group amounted to RM636,606,000 (30 June 2012: RM461,001,000; 1 July 2011: RM413,827,000). These amounts are not recognised in the financial statements as they are held by the Group in its fiduciary capacity.

58 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 29 July 2013.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

59 REALISED AND UNREALISED PROFIT

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

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

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

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

	The Group		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Total retained profits of the Group and subsidiaries			
- Realised	**17,652,955**	16,979,022	16,060,482
- Unrealised	**1,389,428**	1,331,451	1,292,840
Total share of retained profits from associated companies			
- Realised	**1,084,930**	762,776	493,891
- Unrealised	**497**	109	-
Total share of retained profits from jointly controlled entity			
- Realised	**3,234**	160	(1,459)
- Unrealised	**-**	-	-
	20,131,044	19,073,518	17,845,754
Less : Consolidation adjustments	**(13,540,545)**	(13,087,763)	(12,590,099)
Total Group's retained profits	**6,590,499**	5,985,755	5,255,655

	The Company		
	30 June 2013 RM'000	**30 June 2012 RM'000**	**1 July 2011 RM'000**
Total retained profits of the Company			
- Realised	**12,317,759**	12,361,821	12,469,169
- Unrealised	**860**	196	2,342
Total Company's retained profits	**12,318,619**	12,362,017	12,471,511

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Choong Yee How and Quek Kon Sean, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on page 52 to 235 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and of the results and the cash flows of the Group and the Company for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board.

CHOONG YEE HOW
Director

QUEK KON SEAN
Director

Kuala Lumpur
18 September 2013

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Chew Seong Aun, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 235 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the above named Chew Seong Aun at)
Kuala Lumpur in Wilayah Persekutuan on 18 September 2013) **CHEW SEONG AUN**

Before me,

TAN SEOK KETT
Pesuruhjaya Sumpah
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Incorporated in Malaysia)(Company no: 8024-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Financial Group Berhad on pages 52 to 235, which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 59.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Incorporated in Malaysia)(Company no: 8024-W)
(continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 59 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
18 September 2013

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-fourth Annual General Meeting of Hong Leong Financial Group Berhad ("Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 29 October 2013 at 11.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2013.

2. To approve the payment of Directors' fees of RM320,000 for the financial year ended 30 June 2013 (2012: RM445,410), to be divided amongst the Directors in such manner as the Directors may determine. ***(Resolution 1)***

3. To re-elect the following retiring Directors:-

   (a) Mr Choong Yee How ***(Resolution 2)***
   (b) Ms Lim Lean See ***(Resolution 3)***

4. To pass the following motions as Ordinary Resolutions:-

   (a) "**THAT** YBhg Tan Sri Quek Leng Chan, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." ***(Resolution 4)***

   (b) "**THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." ***(Resolution 5)***

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. ***(Resolution 6)***

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions:-

6. **Ordinary Resolution**
   Authority to Directors to Issue Shares

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 7)***

7. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM

   "THAT approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of Part A of the Company's Circular to Shareholders dated 7 October 2013 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING
(continued)

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." ***(Resolution 8)***

8. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"THAT approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Company's Circular to Shareholders dated 7 October 2013 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." ***(Resolution 9)***

9. **Ordinary Resolution**
Proposed Establishment of an Executive Share Grant Scheme

"THAT, subject to the requisite approvals being obtained, the Directors of the Company be and are hereby authorised:

(a) to establish and administer an executive share grant scheme ("Scheme") for the benefit of eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") under which grants of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company ("Shares") will be offered to the Eligible Executives without any consideration payable by the Eligible Executives in accordance with the provisions of the bye-laws referred to in Part B of the Circular to Shareholders dated 7 October 2013 ("Bye-Laws");

NOTICE OF ANNUAL GENERAL MEETING
(continued)

(b) from time to time to issue and allot such number of new Shares ("New Shares") and/or to transfer existing Shares ("Transferred Shares") to Eligible Executives upon vesting of Shares pursuant to grants under the Scheme, provided that the aggregate number of Shares comprised in any options and/or grants (whether in exercised and/or unexercised options, outstanding and/or completed grants and unexpired offers pending acceptances) under all executive share schemes established by the Company which are still subsisting does not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point in time during the existence of the Scheme and that the New Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital of the Company, except that the New Shares will not rank for any dividend, right, entitlement or distribution ("Rights") in respect of which the record date precedes the allotment date of the New Shares; and for Transferred Shares, such shares shall be transferred together with all Rights in respect of which the record date is on or after the transfer date; and such New Shares and Transferred Shares will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise;

(c) to make the necessary applications to Bursa Malaysia Securities Berhad and to take whatever necessary actions at the appropriate time or times for permission to deal in and for listing of and quotation for the New Shares which may from time to time be issued and allotted pursuant to the Scheme; and

(d) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Bye-Laws, to assent to any condition, modification, variation and/or amendment that may be required by the relevant authorities, and to do all such acts and enter into all such transactions, arrangements, agreements or undertakings, impose such terms and conditions or delegate such part of their powers as may be necessary or expedient in order to give full effect to the Scheme;

AND THAT the existing executive share option scheme of the Company established on 12 March 2013 ("ESOS 2013"), together with the Scheme be and is forthwith re-named 'Executive Share Scheme';

AND THAT the bye-laws of the ESOS 2013 be and are hereby amended to incorporate the Scheme to form a consolidated bye-laws governing the Executive Share Scheme, as set out in Appendix IV of the Circular to Shareholders dated 7 October 2013." ***(Resolution 10)***

10. **Ordinary Resolution**
Proposed Allocation of Grants to Mr Choong Yee How

"THAT, contingent upon the passing of Resolution 10 above, authority be and is hereby given to the Directors of the Company, from time to time, to offer to Mr Choong Yee How, the President & Chief Executive Officer of the Company, grants of such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company under the Executive Share Scheme of the Company as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the "Maximum Aggregate" being defined in the bye-laws of the Executive Share Scheme as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the bye-laws of the Executive Share Scheme." ***(Resolution 11)***

11. **Ordinary Resolution**
Proposed Allocation of Grants to Mr Quek Kon Sean

"THAT, contingent upon the passing of Resolution 10 above, authority be and is hereby given to the Directors of the Company, from time to time, to offer to Mr Quek Kon Sean, the Executive Director of the Company, grants of such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company under the Executive Share Scheme of the Company as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the "Maximum Aggregate" being defined in the bye-laws of the Executive Share Scheme as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the bye-laws of the Executive Share Scheme." ***(Resolution 12)***

NOTICE OF ANNUAL GENERAL MEETING
(continued)

12. **Special Resolution**
Proposed Amendments to the Articles of Association of the Company

"THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix VI of the Circular to Shareholders dated 7 October 2013 be and are hereby approved." ***(Resolution 13)***

13. To consider any other business of which due notice shall have been given.

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
7 October 2013

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 23 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointment shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

EXPLANATORY NOTE

Resolution 5 on Re-appointment of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

The Company has in place a Tenure Policy for Independent Directors as detailed in the Corporate Governance Statement and an annual assessment is conducted on the independence of independent directors by the Nominating Committee ("NC") and Board of Directors ("Board") in accordance with the criteria set out in Bank Negara Malaysia's Guidelines on Corporate Governance for Licensed Institutions.

Based on the annual assessment carried out by the NC, the Board has determined that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman who has served on the Board for more than nine (9) years remains objective and continues to bring independent and objective judgment to Board deliberations and decision making. The Board is of the view that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman remains independent notwithstanding his tenure on the Board.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 7 on Authority to Directors to Issue Shares**

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 30 October 2012 and which will lapse at the conclusion of the Forty-fourth AGM.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

2. **Resolutions 8 and 9 on Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) ("HLFG Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLFG Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Renewal of Shareholders' Mandate").

3. **Resolution 10 on Proposed Establishment of an Executive Share Grant Scheme ("ESGS")**

   The proposed Ordinary Resolution, if passed, will allow the Company to establish an executive share grant scheme ("Proposed ESGS") for eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") and provide the Company with flexibility to determine the most appropriate instrument or combination of instruments to be granted to the Eligible Executives as part of its efforts to motivate, reward and retain Eligible Executives. Once the Proposed ESGS is approved, the Proposed ESGS together with the existing ESOS of the Company which will expire on 11 March 2023 ("ESOS 2013") shall be renamed as Executive Share Scheme ("ESS"). The ESS will run concurrently with the existing ESOS of the Company which will expire in 2016 ("ESOS 2006"). The aggregate number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company ("Shares") under both the ESOS 2006 and the ESS shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

4. **Resolutions 11 and 12 on Proposed Allocation of Grants to Mr Choong Yee How and Mr Quek Kon Sean**

   The proposed Ordinary Resolutions, if passed, will allow the Directors of the Company to offer to Mr Choong Yee How and Mr Quek Kon Sean grants of such number of Shares under the ESS.

5. **Resolution 13 on Proposed Amendments to the Articles of Association of the Company**

   The proposed Special Resolution, if passed, will ensure clarity and enable the Company to align the Articles of Association of the Company with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Detailed information on the Proposed Renewal of Shareholders' Mandate, Proposed Establishment of an ESGS, Proposed Allocation of Grants to Mr Choong Yee How and Mr Quek Kon Sean, and Proposed Amendments to the Articles of Association of the Company are set out in the Circular to Shareholders dated 7 October 2013 which is despatched together with the Company's 2013 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- Details of individuals who are standing for election as Directors

  No individual is seeking election as a Director at the forthcoming Forty-fourth Annual General Meeting of the Company.

OTHER INFORMATION

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013

Authorised share capital : RM2,000,000,000
Issued & paid-up capital : RM1,052,767,789
Class of shares : Ordinary shares of RM1.00 each
Voting rights
- on show of hands : 1 vote
- on a poll : 1 vote for each share held

Distribution Schedule of Shareholders as at 2 September 2013

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	162	4.31	5,168	0.00
100 – 1,000	774	20.61	601,497	0.06
1,001 – 10,000	1,774	47.23	7,557,959	0.72
10,001 – 100,000	799	21.27	26,125,682	2.48
100,001 – less than 5% of issued shares	245	6.53	204,624,183	19.43
5% and above of issued shares	2	0.05	813,853,300	77.31
	3,756	100.00	1,052,767,789	100.00

List of Thirty Largest Shareholders as at 2 September 2013

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd *- Hong Leong Company (Malaysia) Berhad*	546,773,354	51.94
2.	Assets Nominees (Asing) Sdn Bhd *- Guoco Assets Sdn Bhd*	267,079,946	25.37
3.	HSBC Nominees (Asing) Sdn Bhd *- Exempt AN for The Bank Of Nova Scotia Asia Limited*	27,195,500	2.58
4.	AmTrustee Berhad *- Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESOS)*	7,344,408	0.70
5.	Assets Nominees (Tempatan) Sdn Bhd *- Soft Portfolio Sdn Bhd*	6,057,000	0.57
6.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for The Bank Of Nova Scotia*	6,020,200	0.57
7.	Citigroup Nominees (Asing) Sdn Bhd *- Exempt AN for UBS AG Singapore (Foreign)*	5,926,582	0.56
8.	Tan Sri Dato' Seri Khalid Ahmad Bin Sulaiman	5,544,000	0.53

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 (continued)

List of Thirty Largest Shareholders as at 2 September 2013 (continued)

	Name of Shareholders	No. of Shares	%
9.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board*	**5,371,499**	**0.51**
10.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for State Street Bank & Trust Company (West Clt OD67)*	**5,120,333**	**0.49**
11.	Tan Sri Quek Leng Chan	**4,989,600**	**0.47**
12.	Chua Holdings Sdn Bhd	**4,814,549**	**0.46**
13.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (Nomura)*	**4,729,800**	**0.45**
14.	Hong Bee Hardware Company, Sdn. Berhad	**4,523,400**	**0.43**
15.	HSBC Nominees (Asing) Sdn Bhd *- BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund*	**4,389,600**	**0.42**
16.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Choong Yee How*	**3,824,000**	**0.36**
17.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (HDBS)*	**3,656,600**	**0.35**
18.	HSBC Nominees (Asing) Sdn Bhd *- Exempt AN for The Bank Of New York Mellon (Mellon Acct)*	**3,408,288**	**0.32**
19.	Amsec Nominees (Tempatan) Sdn Bhd *- Ambank (M) Berhad (Hedging)*	**3,250,900**	**0.31**
20.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Poh Soon Sim (CEB)*	**2,598,400**	**0.25**
21.	AmTrustee Berhad *- Exempt AN for Hong Leong Financial Group Berhad (HLA-ESOS)*	**2,313,992**	**0.22**
22.	Kheng Lim Holdings Sdn Bhd	**2,312,130**	**0.22**
23.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Dimensional Emerging Markets Value Fund*	**2,294,851**	**0.22**
24.	HSBC Nominees (Asing) Sdn Bhd *- Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)*	**2,179,595**	**0.21**
25.	Low Poh Weng	**2,130,600**	**0.20**
26.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (CIMB PRIN)*	**2,105,900**	**0.20**
27.	Cartaban Nominees (Asing) Sdn Bhd *- BBH (LUX) SCA for Fidelity Funds Asean*	**1,955,200**	**0.19**
28.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (Aberdeen)*	**1,800,000**	**0.17**
29.	HSBC Nominees (Asing) Sdn Bhd *- Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)*	**1,797,400**	**0.17**
30.	HSBC Nominees (Asing) Sdn Bhd *- BNY Brussels for City Of New York Group Trust*	**1,642,400**	**0.15**
		943,150,027	**89.59**

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2013 are as follows:-

	Direct		Indirect	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Hong Leong Company (Malaysia) Berhad	546,773,354	51.94	267,083,546	25.37 A
Tan Sri Quek Leng Chan	4,989,600	0.47	824,437,300	78.31 B
HL Holdings Sdn Bhd	-	-	813,856,900	77.31 C
Kwek Holdings Pte Ltd	-	-	818,380,300	77.74 B
Kwek Leng Beng	1,241,321	0.12	818,380,300	77.74 B
Hong Realty (Private) Limited	-	-	818,380,300	77.74 B
Hong Leong Investment Holdings Pte Ltd	-	-	818,380,300	77.74 B
Davos Investment Holdings Private Limited	-	-	818,380,300	77.74 B
Kwek Leng Kee	-	-	818,380,300	77.74 B
Quek Leng Chye	1,925,100	0.18	818,380,300	77.74 B
Guoco Assets Sdn Bhd	267,079,946	25.37	-	-
GuoLine Overseas Limited	-	-	267,079,946	25.37 D
Guoco Group Limited	-	-	267,079,946	25.37 D
GuoLine Capital Assets Limited	-	-	267,079,946	25.37 D

Notes:

A Held through subsidiary(ies)
B Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest
C Held through HLCM
D Held through Guoco Assets Sdn Bhd

3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2013

Subsequent to the financial year end, there is no change, as at 2 September 2013, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 44 to 47 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the change set out below:

Indirect Interest	**No. of ordinary shares**	**%**
YBhg Tan Sri Quek Leng Chan in:		
Nanjing Xinhaoning Property Development Co., Ltd	Nil	Nil

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
1	1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	79	7,470	30/12/1986
2	15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	14	2,527	26/06/1997
3	42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	31	1,873	27/12/1983
4	133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	21	3,010	28/12/1992
5	Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	22	1,478	29/06/1996
7	69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,281	27/12/1994
8	26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	27	528	30/12/1986
9	120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch premises	3,355	47	630	31/05/1990
10	100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	27	2,335	25/06/1992

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
11	12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	22	3,676	25/06/1992
12	6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	44	82	18/10/1969
13	63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	18	3,824	28/04/1997
14	24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	17	1,314	28/04/1997
15	1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch premises	2,625	26	1,109	26/06/1997
16	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (02/02/2079)	Branch premises	3,199	19	199	26/06/1997
17	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch premises	2,582	16	1,130	26/06/1997
18	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	17	2,536	26/01/1995
19	1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/02/2028)	Vacant	10,619	38	41	30/06/1977
20	9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	20	855	01/01/1994

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
21	45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	35	2,040	24/11/1978
22	33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (08/04/2082)	Branch premises	4,394	18	492	26/12/1995
23	55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	34	1,073	01/10/1984
24	27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch premises	4,694	18	266	24/11/1995
25	75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	16	592	15/06/1998
26	80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/06/2089)	Branch premises	9,062	23	1,196	01/06/1994
27	36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	26	201	30/11/1984
28	19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (08/03/2081)	Branch premises	5,859	31	346	29/11/1985
29	55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	33	315	01/04/1980
30	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	33	459	31/07/1988
31	161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	17	2,503	14/02/1996

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
32	8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	20	419	22/10/1977
33	109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	25	208	01/09/1988
34	31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	21	487	05/03/1996
35	26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	29	1,278	22/05/1995
36	21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	27	414	26/06/1986
37	1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	45	36	30/06/1977
38	36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	73	124	30/08/1982
39	W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	14	1,908	18/12/1999
40	2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	14	3,618	18/12/1999

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
41	Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Self service terminal (ATM area)	4,945	14	3,330	23/11/1999
42	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	14	556	23/11/1999
43	1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	13	1,772	23/11/1999
44	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch premises	5,988	14	1,418	31/05/1991
45	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	12	423	20/09/2000
46	133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	12	325	13/12/2000
47	65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	17	4,963	14/10/1996
48	34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	20	490	26/11/1993
49	64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 99 years (31/12/2775)	Branch premises	1,370	22	626	30/05/1991
50	159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	8	2,584	25/11/2005
51	163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	8	2,646	25/10/2005

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
52	114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	7	3,845	07/06/2006
53	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	7	2,760	06/07/2006
54	No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	6	5,284	26/06/2007
55	Tower A PJ City Development 46100 Petaling Jaya, Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	5	81,248	21/07/2008
56	OUG No.2, Lorong 2/137C Off Jalan Kelang Lama 58200, Kuala Lumpur	Leasehold -99 years (year 2088)	Branch Premises	17,300	3	5,444	01/04/2011
57	KEP Lot No 77C & 77D Lot No.58529 Jalan Kepong 52100 Kuala Lumpur	Leasehold -99 years (07/01/2101)	Branch Premises	30,613	3	9,294	01/05/2011
58	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold -60 years (29/04/2045)	4 storey building	1,200	20	175	30/04/1985
59	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold -99 years (23/05/2082)	1 unit apartment	1,792	26	146	24/05/1983
60	No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Ex EBB Head Office	839,574	20	173,196	31/01/2005

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
61	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Branch Premises	2,199	40	318	18/09/1972
62	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	18	2,001	04/03/1997
63	No. 1, Jalan SS15/4E City Centre, 47500 Subang Jaya Petaling Jaya Selangor Darul Ehsan	Freehold	Branch Premises	3,261	31	418	12/02/1991
64	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch Premises	3,080	50	2,230	19/08/1997
65	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Branch Premises	2,776	30	1,808	07/09/1998
66	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	17	1,701	22/01/1999
67	No. 2, Jalan PJU 5/8 Dataran Sunway, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold -99 years (23/11/2100)	Branch Premises	12,892	9	3,498	02/12/2005
68	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold -99 years (06/07/2087)	2 units apartment	2,088	17	225	21/04/1994

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
69	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold -99 years (30/01/2078)	Storage for branches	1,680	29	292	29/6/1981
70	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	Leasehold -99 years (20/03/2094)	Branch Premises	3,132	17	580	17/04/1998
71	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold -99 years (20/03/2094)	Branch Premises	3,080	18	721	15/08/1999
72	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	5,090	11	1,761	27/05/2002
73	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	10	2,282	02/12/2003
74	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	16	1,287	04/05/1999
75	No. C05-07 Genting Permai Park & Resort 6th Mile 69000 Genting Highland Pahang Darul Makmur	Freehold	1 unit apartment	1,029	14	198	02/09/1996
76	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	12	1,570	08/04/1999

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
77	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	10	1,150	07/10/2003
78	No. 26 & 27 Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani	Freehold	Branch Premises	2,800	16	700	03/09/1999
79	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold 60 years (20/06/2050)	Branch Premises	1,740	17	169	21/06/1990
80	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold -99 years (31/12/2038)	Branch Premises	1,390	20	-	23/09/1992
81	No: 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu Sabah	Leasehold -99 years (31/12/2086)	Branch Premises	4,141	18	1,988	02/04/1997
82	No. 177, Limbok Hill 70000 Seremban, N.Sembilan	Freehold	Single-storey detached house	6,730	40	13	16/08/1972
83	Lot 942 Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch Premises	5,496	16	926	31/01/1997
84	Lot 1, 2 & 3, Block 18, Bandar Indah Mile 4, North Road Bandar Indah Sandakan, Sabah	Freehold	Branch Premises	6,760	13	1,680	08/11/2001

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
85	No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch Premises	8,846	18	516	04/12/1995
86	Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch Premises	6,019	24	432	30/12/1989
87	Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office Premises	333,594	12	230,000	13/11/2001
88	Unit 2.5.1, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	20	561	30/06/1993
89	Unit 2.1.2, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	20	561	30/06/1993
90	Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	20	529	30/06/1993
91	Unit 1.1.3, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,288	20	376	30/06/1993
92	14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang	Freehold	Branch Premises	5,610	20	482	21/02/1993
93	No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak	Leasehold - 99 Years (21/11/2094)	Branch Premises	5,246	18	546	04/12/1995

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2013 (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
94	13-2B 2nd Floor Jalan Perdana 6/6 Pandan Perdana 55300 Kuala Lumpur	Leasehold - 99 Years (11/12/2088)	Apartment	468	9	60	2004
95	Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor	Leasehold - 99 Years (12/12/2107)	Office Premises	202,194	5	69,012	29/04/2008
96	51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold -999 years	Branch premises	4,793	19	1,920	31/12/1993
97	Unit 1-10, 8th Floor Island Place Tower, Island Place No 510 King's Road Hong Kong	Leasehold - 55 Years (30/06/2047)	Office	20,000	18	45,342	22/02/2010

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HongLeong Financial Group Berhad (8024-W)

FORM OF PROXY

I/We ____

NRIC/Passport/Company No. ____

of ____

being a member of HONG LEONG FINANCIAL GROUP BERHAD (the "Company"), hereby appoint ____

____

____

NRIC/Passport No. ____

of ____

____

or failing him/her ____

____

____

NRIC/Passport No. ____

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-fourth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 29 October 2013 at 11.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To re-elect Mr Choong Yee How as a Director		
3.	To re-elect Ms Lim Lean See as a Director		
4.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965		
5.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
	Special Business		
7.	To approve the ordinary resolution on authority to Directors to issue shares		
8.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
9.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust		
10.	To approve the ordinary resolution on Proposed Establishment of an Executive Share Grant Scheme		
11.	To approve the ordinary resolution on Proposed Allocation of Grants to Mr Choong Yee How		
12.	To approve the ordinary resolution on Proposed Allocation of Grants to Mr Quek Kon Sean		
13.	To approve the special resolution on Proposed Amendments to the Articles of Association of the Company		

Dated this .... day of 2013

______________________ Number of shares held

______________________ Signature(s) of Member

Notes:

(1) For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 23 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
(2) If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
(3) If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
(4) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
(5) Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
(6) Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
(7) In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
(8) All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
(9) In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Group Company Secretary
Hong Leong Financial Group Berhad
(Company No. 8024-W)

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

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