

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

	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	21,582,839	32,424,991
Deposits and placements with financial institutions	4,534,620	5,213,395
Securities purchased under resale agreements	590,521	159,770
Financial assets held-for-trading	23,066,887	6,974,724
Financial investments available-for-sale	15,393,755	10,798,973
Financial investments held-to-maturity	4,587,966	8,108,198
Derivative financial assets	980,880	798,164
Loans, advances and financing	89,120,706	82,240,056
Clients' and brokers' balances	269,404	236,393
Other receivables	661,131	1,157,553
Statutory deposits with Bank Negara Malaysia	3,350,987	2,220,366
Tax recoverable	18,330	9,752
Investment in associated companies	2,209,079	1,964,951
Investment in jointly controlled entity	76,871	75,252
Deferred tax assets	-	72,694
Property and equipment	1,037,885	1,010,913
Intangible assets	2,864,702	2,793,630
Total Assets	170,346,563	156,259,775
<u>Liabilities</u>		
Deposits from customers	123,216,802	114,748,978
Deposits and placements of banks and other financial institutions	10,879,507	11,445,660
Obligations on securities sold under repurchase agreements	633,797	-
Bills and acceptances payable	486,091	683,996
Derivatives financial liabilities	1,137,906	682,098
Clients' and brokers' balances	590,071	591,595
Payables and other liabilities	3,864,180	3,854,889
Provision for claims	96,818	63,763
Provision for taxation	164,331	80,575
Deferred tax liability	106,196	-
Bank loans	633,383	1,535,859
Subordinated obligations	4,369,385	2,885,028
Senior Bonds	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,407,283	1,405,706
Innovative Tier 1 capital securities	574,581	595,720
Capital market borrowing	1,110,955	678,381
Insurance funds	6,620,850	5,834,179
Total Liabilities	157,799,929	145,997,237
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,743,186	1,490,500
Retained profits	5,562,666	4,911,368
Fair value reserves	97,530	88,880
Treasury shares held for ESOS scheme	(62,705)	(72,517)
Total shareholders' equity	8,393,445	7,470,999
Non-controlling interest	4,153,189	2,791,539
Total Equity	12,546,634	10,262,538
Total Liabilities and Equity	170,346,563	156,259,775
Commitment and Contingencies	153,874,343	142,202,689
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	8.07	7.20

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

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2012	quarter ended 30/06/2011	to date 30/06/2012	to date 30/06/2011
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,426,296	1,117,323	5,585,186	3,340,436
Interest expense	(791,545)	(590,597)	(2,993,439)	(1,669,106)
Net interest income	634,751	526,726	2,591,747	1,671,330
Income from Islamic banking business	114,910	82,816	447,598	227,090
Non interest income	338,989	343,648	1,092,869	1,767,085
Net income	1,088,650	953,190	4,132,214	3,665,505
Overhead expenses	(522,142)	(495,563)	(2,094,398)	(1,342,242)
Operating profit before allowances	566,508	457,627	2,037,816	2,323,263
Allowances for impairment on loans, advances and financing and other losses	(66,092)	(18,840)	(108,030)	(136,521)
Write off of goodwill	-	(12,707)	-	(12,707)
Writeback of /(allowance for) impairment losses	9,851	1,724	22,147	(1,434)
	510,267	427,804	1,951,933	2,172,601
Share of results of associated companies	74,263	88,163	268,994	250,854
Share of results of jointly controlled entity	818	157	1,619	(771)
Profit before taxation and zakat	585,348	516,124	2,222,546	2,422,684
Taxation	(130,111)	(109,750)	(495,653)	(350,689)
Zakat	(166)	(75)	(222)	(128)
Net profit for the financial year	455,071	406,299	1,726,671	2,071,867
Attributable to :				
Owners of the parents	273,695	296,729	1,154,766	1,673,579
Non-controlling interest	181,376	109,570	571,905	398,288
Net profit for the financial year	455,071	406,299	1,726,671	2,071,867
Basic earnings per ordinary share (sen)	26.3	28.6	111.1	161.4
Diluted earnings per ordinary share (sen)	26.2	28.5	110.5	160.9

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
THE GROUP				
Net profit for the financial year	455,071	406,299	1,726,671	2,071,867
Other comprehensive income:				
Share of other comprehensive loss of associate company and jointly controlled entity	(161)	(549)	(185)	(549)
Net fair value changes on financial investments available-for-sale, net of tax	33,353	34,195	50,925	32,159
Currency translation differences	36,484	14,111	14,124	(46,441)
Income tax relating to components of other comprehensive income	(10,185)	(6,432)	(10,185)	(6,432)
Total comprehensive income for the year, net of tax	<u>514,562</u>	<u>447,624</u>	<u>1,781,350</u>	<u>2,050,604</u>
Attributable to :				
Owners of the parents	297,878	326,366	1,177,291	1,658,618
Non-controlling interest	216,684	121,258	604,059	391,986
	<u>514,562</u>	<u>447,624</u>	<u>1,781,350</u>	<u>2,050,604</u>

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

	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	40,900	114,679
Financial assets held-for-trading	-	37,814
Derivative financial assets	196	2,342
Other receivables	62,851	2,360,033
Tax recoverable	16,113	8,475
Investment in subsidiaries	4,095,940	2,393,350
Property and equipment	1,092	1,577
Intangible assets	15	12
Total Assets	4,217,107	4,918,282
<u>Liabilities</u>		
Derivative financial liabilities	17,545	8,454
Payables and other liabilities	12,869	5,985
Bank loans	468,332	1,515,784
Capital market borrowing	1,110,955	678,381
Total Liabilities	1,609,701	2,208,604
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	384,298	385,777
Retained profits	1,217,425	1,326,919
Treasury shares held for ESOS scheme	(47,085)	(55,786)
Total Equity	2,607,406	2,709,678
Total Liabilities and Equity	4,217,107	4,918,282
Commitment and Contingencies	1,165,672	921,000

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

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2012 RM '000	quarter ended 30/06/2011 RM '000	to date 30/06/2012 RM '000	to date 30/06/2011 RM '000
THE COMPANY				
Interest income	884	14,998	32,094	17,299
Interest expense	(14,364)	(15,312)	(68,587)	(30,406)
Net interest expense	(13,480)	(314)	(36,493)	(13,107)
Non interest income	(17,881)	3,429	277,486	1,182,739
Net income	(31,361)	3,115	240,993	1,169,632
Overhead expenses	(10,449)	(5,931)	(34,135)	(32,833)
Profit before taxation and zakat	(41,810)	(2,816)	206,858	1,136,799
Taxation	13,000	3,500	(61,742)	(53,348)
Net profit for the financial year	(28,810)	684	145,116	1,083,451
Basic earnings per ordinary share (sen)	(2.8)	0.1	13.9	104.1
Diluted earnings per ordinary share (sen)	(2.7)	0.1	13.8	103.8

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Share Capital	Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Regulatory Reserve#	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012													
Opening balance as at 1 July 2011	1,052,768	117,229	1,241,179	133,258	34,965	88,880	726	(36,857)	4,909,703	(72,517)	7,469,334	2,790,686	10,260,020
- Prior year adjustment	-	-	-	-	-	-	-	-	1,665	-	1,665	853	2,518
As restated	1,052,768	117,229	1,241,179	133,258	34,965	88,880	726	(36,857)	4,911,368	(72,517)	7,470,999	2,791,539	10,262,538
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	1,154,766	-	1,154,766	571,905	1,726,671
Currency translation differences	-	-	-	-	-	-	-	13,875	-	-	13,875	249	14,124
Share of other comprehensive income of associates	-	-	-	-	-	(177)	-	-	-	-	(177)	(8)	(185)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	8,827	-	-	-	-	8,827	31,913	40,740
Total comprehensive income	-	-	-	-	-	8,650	-	13,875	1,154,766	-	1,177,291	604,059	1,781,350
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	232,277	-	-	-	5,319	-	(237,596)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	(16,250)	-	(16,250)	(26,993)	(43,243)
Subscription of rights shares of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	916,325	916,325
Dividend paid	-	-	-	-	-	-	-	-	(260,506)	-	(260,506)	(131,741)	(392,247)
Exercise of ESOS	-	-	-	-	(4,054)	-	-	-	9,005	15,872	20,823	-	20,823
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(6,060)	(6,060)	-	(6,060)
Option charge arising from ESOS	-	-	-	-	4,534	-	-	-	2,614	-	7,148	-	7,148
Transfer to capital reserve	-	-	-	735	-	-	-	-	(735)	-	-	-	-
AT 30 JUNE 2012	1,052,768	117,229	1,473,456	133,993	35,445	97,530	6,045	(22,982)	5,562,666	(62,705)	8,393,445	4,153,189	12,546,634
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011													
At 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	70,158	-	(3,174)	2,791,123	(78,171)	5,300,108	2,302,372	7,602,480
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	1,673,579	-	1,673,579	398,288	2,071,867
Currency translation differences	-	-	-	-	-	-	-	(33,142)	-	-	(33,142)	(13,299)	(46,441)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	(541)	-	-	(541)	(8)	(549)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	18,722	-	-	-	-	18,722	7,005	25,727
Total comprehensive income/(expense)	-	-	-	-	-	18,722	-	(33,683)	1,673,579	-	1,658,618	391,986	2,050,604
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	201,827	201,827
Transfer to statutory reserves	-	-	50,917	-	-	-	726	-	(50,917)	-	726	-	726
Gain on partial disposal of subsidiary	-	-	-	-	-	-	-	-	766,465	-	766,465	-	766,465
Dividend paid	-	-	-	-	-	-	-	-	(274,891)	-	(274,891)	(104,646)	(379,537)
Option charge arising from ESOS	-	-	-	-	10,623	-	-	-	-	-	10,623	-	10,623
Exercise of ESOS	-	-	-	-	(2,313)	-	-	-	6,009	5,654	9,350	-	9,350
At 30 JUNE 2011	1,052,768	117,229	1,241,179	133,258	34,965	88,880	726	(36,857)	4,911,368	(72,517)	7,470,999	2,791,539	10,262,538

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2011	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
Net profit for the financial year	-	-	-	-	145,116	-	145,116
Dividend paid	-	-	-	-	(260,506)	-	(260,506)
Purchase of treasury shares	-	-	-	-	-	(6,060)	(6,060)
Option reserves arising from ESOS	-	-	-	(1,479)	2,614	-	1,135
Exercise of ESOS	-	-	-	-	3,282	14,761	18,043
At 30 JUNE 2012	1,052,768	117,229	254,991	12,078	1,217,425	(47,085)	2,607,406

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Net profit for the financial year	-	-	-	-	1,083,451	-	1,083,451
Dividend paid	-	-	-	-	(274,891)	-	(274,891)
Option reserves arising from ESOS	-	-	-	2,730	-	-	2,730
Exercise of ESOS	-	-	-	-	1,976	6,550	8,526
Transfer of ESOS shares to HLIA	-	-	-	-	2,616	3,414	6,030
At 30 JUNE 2011	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	The Group		The Company	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	2,222,546	2,422,684	206,858	1,136,799
Adjustment for non-cash items and others	58,852	(708,185)	(243,988)	(1,154,503)
Operating profit before working capital changes	2,281,398	1,714,499	(37,130)	(17,704)
Proceeds from exercising of ESOS	14,763	9,350	18,043	7,630
Income tax refund/(paid)	7,598	(369,420)	4,975	-
Interest received	32,094	2,658	32,094	2,658
Changes in working capital				
Net changes in operating assets	(23,055,598)	(1,235,350)	26,027	602,195
Net changes in operating liabilities	8,039,212	4,362,449	13,526	10,652
Net cash flow (used in)/generated from operating activities	(12,680,533)	4,484,186	57,535	605,431
Net cash flow from investing activities:				
Acquisition of assets and liabilities of EON Capital Berhad ("ECB"), net of cash acquired	-	4,729,494	-	-
Net (purchase)/disposal of available-for-sale securities	(4,483,896)	1,224,518	-	-
Net disposal/(purchase) of held-to-maturity securities	3,522,071	(1,149,468)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	826,800	560,953		
Net purchase on intangibles assets	(145,875)	(33,045)	(12)	(3)
Net purchase of property and equipment	(145,596)	(98,297)	(104)	(385)
Dividends received from other investments	99,764	141,726	1,728	7,208
Proceeds from disposal of general insurance business	-	940,000	-	-
Purchase of treasury shares	-	-	(6,060)	-
Dividends income from subsidiary companies	-	-	223,066	171,368
Subscription of right issue of subsidiary	-	-	(1,659,818)	-
Proceeds from capital redemption	-	-	-	551,000
Increase in investments in subsidiary	-	-	-	(172,842)
(Subscription)/proceeds from redemption of RPS	-	-	(42,772)	58,797
Transfer of treasury shares to subsidiary	-	-	-	6,031
Repayment/(issuance) of bridging loan from/(to) subsidiary	-	-	2,300,000	(2,300,000)
Net cash flow (used in)/generated from investing activities	(326,732)	6,315,881	816,028	(1,678,826)
Net cash flow from financing activities				
Dividends paid by the Company to shareholders	(260,506)	(274,891)	(260,506)	(274,891)
Net repayment of debt	2,329,138	4,621,547	(686,836)	1,450,924
Net cash flow generated from/(used in) financing activities	2,068,632	4,346,656	(947,342)	1,176,033
Changes in cash and cash equivalents	(10,938,633)	15,146,723	(73,779)	102,638
Effect of change in foreign exchange rate	96,481	(51,890)	-	-
Cash and cash equivalents as at 1 July	32,424,991	17,330,158	114,679	12,041
Cash and cash equivalents as at 30 June	21,582,839	32,424,991	40,900	114,679

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

1. Basis of preparation

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

The unaudited condensed financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2011. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the year ended 30 June 2011.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following Revised Financial Reporting Standards("FRS"), Amendments to FRS and Interpretations of the Issues Committee ("IC Interpretations"):

Revised FRS 1	"First-time Adoption of Financial Reporting Standards"
Revised FRS 127	"Consolidated and Separate Financial Statements"
Amendments to FRS 2	"Share-based payment - Group Cash-Settled Share-Based Payment Transactions"
Amendments to FRS 7	"Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments"
Amendments to FRS 1	"First-Time Adoption of Financial Reporting Standards"
Amendments to FRS 132	"Financial Instruments: Presentation-Classification of Rights Issues"
IC Interpretation 4	"Determining Whether An Arrangement Contains A Lease"
IC Interpretation 12	"Service Concession Arrangements"
IC Interpretation 8	"Transfers of Assets from Customers"

The adoption of the above are not expected to have a material impact on the financial statement results of the Group and the Company.

On 19 November 2011, the MASB issued the new Malaysian Financial Reporting Standards ("MFRS") framework, consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2013. In preparing its first MFRS financial statements, the Group and the Company will need to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

2. Status of matters giving rise to the auditor's qualified report in the annual financial statement for the financial year ended 30 June 2011 of HLFGB

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2011.

3. Seasonality or cyclicity of operations

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

4. Exceptional items / unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

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

Purchase of shares pursuant to ESOS

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

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

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

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

During the financial year ended 30 June 2012, the Company purchased 500,000 units of shares for RM6,060,275. A total of 3,048,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM5.92.

The remaining number of shares held by the appointed trustee for the Company as at 30 June 2012 was 9,722,408 units at an average price of RM4.84 per share and the total consideration paid, including transaction costs was RM47,085,179.

As at 30 June 2012, the insurance subsidiary company held a total of 3,286,092 units of the Company's shares at an average price of RM4.75 per share with total consideration paid, including transaction costs of RM15,618,000 which have been classified as treasury shares held for ESOS at the Group level.

Issuance and repayment of debts

The issuance and repayment of debts of HLFG Group are as of that disclosed in Note 10.

7. Dividends paid

An interim dividend of 10 sen per share (single tier) (2011: 6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier) was paid on 28 December 2011.

A second interim dividend of 15 sen per share (single tier) (2011: 15 sen per share (single tier) and a special dividend of 3 sen per share (single tier)) was paid on 26 June 2012.

8. Segmental reporting

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

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

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

Business segments

The Group comprises the following main business segments:

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

GROUP 30 JUNE 2012	Commercial Banking RM'000	Investment Banking * RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the year ended						
External sales	3,855,569	148,183	174,748	(46,286)	-	4,132,214
Intersegment sales	24,360	1,857	2,290	310,464	(338,971)	-
	<u>3,879,929</u>	<u>150,040</u>	<u>177,038</u>	<u>264,178</u>	<u>(338,971)</u>	<u>4,132,214</u>
Results for the year ended						
Segment results	1,989,162	(49,286)	92,269	220,164	(300,376)	1,951,933
Share of results of associated companies						268,994
Share of results of jointly controlled entity						1,619
Profit before taxation and zakat						<u>2,222,546</u>
Taxation and zakat						(495,875)
Net profit for the financial year						<u>1,726,671</u>
Non-controlling interest						(571,905)
Profit attributable to owners of the parents						<u>1,154,766</u>
Other information						
Segment assets	157,787,262	2,968,202	9,369,353	4,603,284	(4,381,538)	<u>170,346,563</u>
Segment liabilities	146,367,951	2,584,344	7,842,610	1,897,321	(892,297)	<u>157,799,929</u>

* The loss arising in the Investment Banking segment results was mainly due to RM87mil goodwill written off by MIMB post acquisition of EON Group. However this is subsequently eliminated at Group level without any impact to the Group consolidated results and incorporated as part of the Group's acquisition goodwill.

GROUP	Commercial	Investment				Consolidated
30 JUNE 2011	Banking	Banking	Insurance	Others	Eliminations	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue for the year ended						
External sales	2,529,904	125,072	985,317	25,212	-	3,665,505
Intersegment sales	18,435	5,437	6,615	1,177,557	(1,208,044)	-
	<u>2,548,339</u>	<u>130,509</u>	<u>991,932</u>	<u>1,202,769</u>	<u>(1,208,044)</u>	<u>3,665,505</u>
Results for the year ended						
Segment results	1,206,361	49,141	928,633	1,156,729	(1,168,263)	2,172,601
Share of results of associated company						250,854
Share of results of jointly controlled entity						(771)
Profit before taxation and zakat						<u>2,422,684</u>
Taxation and zakat						(350,817)
Net profit for the financial year						<u>2,071,867</u>
Non-controlling interest						(398,288)
Profit attributable to owners of the parents						<u>1,673,579</u>
Other information						
Segment assets	144,967,695	2,711,455	8,279,132	5,254,214	(4,952,721)	<u>156,259,775</u>
Segment liabilities	137,757,466	2,113,205	6,832,606	2,422,097	(3,128,137)	<u>145,997,237</u>

9. Financial assets held-for-trading

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	253,388	49,185
Malaysian Government Securities	240,511	118,769
Negotiable instruments of deposit	3,445,966	479,071
Bankers' acceptances and Islamic accepted bills	4,204,306	3,944,863
Bank Negara Malaysia bills	11,244,208	767,821
Malaysian Government Investment Certificates	2,177,642	388,068
Cagamas bonds	72,214	-
	21,638,235	5,747,777
Quoted securities :		
Shares/Loan stocks/Unit Trust	424,312	486,746
Unquoted securities :		
Foreign currency bonds	390,858	383,748
Private debt securities	613,482	356,453
Total securities held at fair value through profit and loss	23,066,887	6,974,724

	Company	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	-	37,814

10. Financial investments available-for-sale

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	375,160	364,156
Bank Negara Malaysia Bills	-	248,165
Malaysian Government Securities	415,728	1,047,502
Malaysian Government Investment Certificates	1,369,664	1,911,745
Negotiable instruments of deposit	11,826	522,051
Islamic negotiable instrument debt securities	-	28,833
Cagamas bonds	633,775	141,231
Bankers acceptance	-	44,853
Other Government securities	196,949	49,857
	3,003,102	4,358,393
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,467,066	1,273,964
Wholesale fund	999,800	-
Unquoted securities :		
Shares	320,819	237,323
Foreign Currency Bonds	3,486,589	838,280
Investment Linked funds	4,867	-
Private debt securities/shares/reits	6,179,327	4,116,990
	15,461,570	10,824,950
Accumulated impairment loss	(67,815)	(25,977)
Total securities available-for-sale	15,393,755	10,798,973

11. Financial investments held-to-maturity

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	1,867,919	3,577,908
Malaysian Government Investment Certificates	1,091,531	1,128,464
Negotiable instruments of deposit	20,593	2,677,278
Cagamas bonds	258,310	170,942
	<u>3,238,353</u>	<u>7,554,592</u>
Quoted securities :		
Other Government securities	151,958	14,043
Unquoted securities :		
Private debt securities/shares/loan stocks	1,314,788	743,319
Investment in preference shares	52,000	-
	<u>4,757,099</u>	<u>8,311,954</u>
Accumulated impairment losses	(169,133)	(203,756)
Total securities held-to-maturity	<u><u>4,587,966</u></u>	<u><u>8,108,198</u></u>

12. Loans, advances and financing

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Overdrafts	4,073,003	4,185,914
Term loans :		
- Housing loans/financing	37,066,670	31,761,748
- Syndicated term loan/financing	5,468,161	4,669,705
- Hire purchase receivables	17,373,330	17,214,483
- Lease receivables	106,391	4,486
- Other term loans/financing	10,114,562	10,484,564
Credit/charge card receivables	4,233,382	4,262,859
Bills receivables	651,240	354,250
Trust receipts	342,745	302,959
Claims on customers under acceptance credits	7,251,829	6,621,138
Block discounting	6,582	8,391
Revolving credits	3,770,367	3,771,610
Policy and premium loans	683,482	676,745
Staff loans	244,089	283,247
Other loans/financing	118,005	210,477
	<u>91,503,838</u>	<u>84,812,576</u>
Fair value changes arising from fair value hedges	23,852	-
Unamortised fair value changes arising from terminated fair value hedges	21,570	17,177
Allowance for bad and doubtful debts and financing :		
- collective assessment	(1,885,320)	(1,791,958)
- individual assessment	(543,234)	(797,739)
Net loans, advances and financing	<u><u>89,120,706</u></u>	<u><u>82,240,056</u></u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
Domestic non-bank financial institutions	528,174	718,366
Domestic business enterprises		
- Small and medium enterprises	12,068,244	12,199,764
- Others	19,938,097	15,871,681
Government and statutory bodies	26,256	28,898
Individuals	56,250,945	53,214,510
Other domestic entities	29,549	30,678
Foreign entities	2,662,573	2,748,679
Gross loans, advances and financing	91,503,838	84,812,576

(b) By interest/profit rate sensitivity

	Group	
	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
Fixed rate		
- Housing loans/financing	2,997,728	3,467,141
- Hire purchase receivables	16,843,527	17,158,926
- Other fixed rate loan/financing	8,611,813	8,492,315
Variable rate		
- Base lending rate plus	51,203,453	43,544,696
- Cost plus	11,591,814	11,634,807
- Other variables rates	255,503	514,691
Gross loans, advances and financing	91,503,838	84,812,576

(c) By economic purpose

	Group	
	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
Purchase of securities	1,168,474	1,240,342
Purchase of transport vehicles	17,252,312	17,270,583
Purchase of landed properties		
- Residential	30,691,075	27,648,543
- Non-residential	9,985,329	9,059,391
Purchase of fixed assets	638,350	668,935
Personal use	3,576,501	3,567,683
Credit card	4,233,382	4,262,859
Purchase of consumer durables	103	198
Construction	924,674	836,005
Working capital	19,988,086	17,856,413
Mergers and acquisition	388,832	-
Others	2,656,720	2,401,624
Gross loans, advances and financing	91,503,838	84,812,576

12. Loans, advances and financing (continued)

(d) Impaired loans by purpose

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Purchase of securities	11,197	11,379
Purchase of transport vehicles	216,114	185,001
Purchase of landed properties		
- Residential	342,581	458,242
- Non-residential	73,388	79,403
Purchase of fixed assets (excluding landed properties)	21,667	21,067
Personal use	86,654	93,742
Credit card	66,949	58,100
Purchase of consumer durables	7	17
Construction	26,388	31,075
Working capital	649,243	940,998
Others	39,082	45,751
Gross loans, advances and financing	<u>1,533,270</u>	<u>1,924,775</u>

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

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
At beginning		
- as previously stated	1,892,304	942,902
- fair value adjustments on completion of business combination accounting	32,471	-
As restated	<u>1,924,775</u>	<u>942,902</u>
Acquisition of assets and liabilities of EON Capital Berhad ("EON")	-	1,294,351
Fair value adjustments on completion of business combination accounting	-	32,471
Impaired during the year	2,078,588	883,759
Reclassified as performing	(1,081,218)	(493,248)
Amount written back in respect of recoveries	(808,389)	(461,787)
Amount written off	(584,256)	(278,682)
Exchange differences	3,770	5,009
Net impaired loans, advances and financing	<u>1,533,270</u>	<u>1,924,775</u>
Net impaired as a % of gross loans, advances and financing less specific allowance	<u>1.7%</u>	<u>2.3%</u>

12. Loans, advances and financing (continued)

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

	Group	
	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously reported	1,576,741	771,288
- fair value adjustments on completion of business combination accounting	215,217	-
As restated	1,791,958	771,288
Acquisition of assets and liabilities of ECB	-	742,983
Fair value adjustments on completion of business combination accounting	-	215,217
Net allowance made during the period/year	794,400	390,985
Amount transfer from individual assessment	55,688	-
Amount written back in respect of recoveries	(331,924)	(101,290)
Amount written off	(416,452)	(217,424)
Unwinding income	(8,819)	(11,018)
Exchange differences	469	1,217
Closing balance	<u>1,885,320</u>	<u>1,791,958</u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>2.2%</u>	<u>2.2%</u>
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	670,993	234,265
- fair value adjustments on completion of business combination accounting	126,746	-
As restated	797,739	234,265
Acquisition of assets and liabilities of ECB	-	505,525
Fair value adjustments on completion of business combination accounting	-	126,746
Net allowance made during the year	61,291	72,384
Amount transferred to collective assessment	(55,688)	-
Amount written back in respect of recoveries	(139,313)	(83,718)
Amount written off	(116,873)	(45,286)
Unwinding income	(9,716)	(14,974)
Exchange differences	5,794	2,797
Closing balance	<u>543,234</u>	<u>797,739</u>

13. Other receivables

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Investment properties	1,680	1,680
Foreclosed properties	1,338	1,458
Sundry debtors and other prepayments	189,173	753,840
Treasury related receivable	220,591	134,571
Other receivables	248,349	266,004
	<u>661,131</u>	<u>1,157,553</u>

	Company	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Amount due from subsidiary companies	60,461	2,357,479
Amount due from related companies	3	3
Sundry debtors and other prepayments	540	97
Other receivables	1,847	2,454
	<u>62,851</u>	<u>2,360,033</u>

14. Deposits from customers

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Fixed deposits	75,220,529	68,788,096
Negotiable instruments of deposit	5,828,928	5,584,465
Demand deposits	14,644,399	14,893,230
Savings deposits	14,815,602	12,515,496
Short term corporate placement	12,311,878	12,561,243
Others	395,466	406,448
	<u>123,216,802</u>	<u>114,748,978</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
One year or less (short term)	75,608,265	70,150,424
More than one year (medium/long term)	5,441,192	4,222,137
	<u>81,049,457</u>	<u>74,372,561</u>

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

	Group	
	As at	As at
	30/06/2012	30/06/2011
	RM '000	RM '000
Government and statutory bodies	4,479,480	5,777,465
Business enterprises	57,524,535	49,354,634
Individuals	59,427,461	51,479,665
Others	1,785,326	8,137,214
	<u>123,216,802</u>	<u>114,748,978</u>

17. Interest income

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	961,591	777,252	3,943,718	2,129,290
Money at call and deposit placements with financial institutions	142,485	169,181	597,760	544,107
Securities purchased under resale agreements	4,747	264	10,433	2,011
Financial assets held-for-trading	446,181	17,987	565,967	86,619
Financial investments available-for-sale	78,981	32,054	239,138	113,917
Financial investments held-to-maturity	(208,354)	106,322	199,690	447,036
Others	1,675	14,367	32,725	17,527
	<u>1,427,306</u>	<u>1,117,427</u>	<u>5,589,431</u>	<u>3,340,507</u>
Amortisation of premium less accretion of discount	(1,010)	(104)	(4,245)	(71)
	<u>1,426,296</u>	<u>1,117,323</u>	<u>5,585,186</u>	<u>3,340,436</u>

	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Money at call and deposit placements with financial institutions	271	557	1,195	1,048
Others	613	14,441	30,899	16,251
	<u>884</u>	<u>14,998</u>	<u>32,094</u>	<u>17,299</u>

18. Interest expense

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Deposits and placements of banks and other financial institutions	57,276	36,074	144,589	89,191
Deposits from customers	553,558	436,161	2,180,243	1,225,485
Borrowings	42,159	34,937	175,276	48,440
Subordinated bonds	20,612	34,810	138,439	61,216
Short term corporate placements	102,008	42,979	309,173	235,634
Others	15,932	5,636	45,719	9,140
	<u>791,545</u>	<u>590,597</u>	<u>2,993,439</u>	<u>1,669,106</u>

	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Borrowings	14,348	15,309	68,532	29,788
Others	16	3	55	618
	<u>14,364</u>	<u>15,312</u>	<u>68,587</u>	<u>30,406</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Net income from Insurance Business	81,547	73,515	123,072	295,705
Net brokerage and commissions from Stockbroking Business	36,158	23,345	82,502	83,518
Net unit trust and asset management income	5,074	2,905	16,750	22,035
Fee income:				
Commissions	30,603	19,141	112,241	69,601
Service charges and fees	11,118	20,852	51,697	34,822
Guarantee fees	4,233	3,352	18,396	7,739
Credit card related fees	65,541	67,420	268,867	180,863
Corporate advisory fees	239	1,103	5,494	1,460
Commitment fees	8,682	6,475	33,148	16,322
Fee on loans, advances and financing	24,916	13,511	74,145	52,028
Brokerage	605	5,623	6,745	5,623
Other fee income	8,296	(22,855)	3,097	4,831
	154,233	114,622	573,830	373,289
Net realised gain/(loss) from sale/redemption of securities portfolio:				
- financial assets-held-for-trading	(83,615)	(26,690)	35,536	35,439
- financial investments available-for-sale	14,540	31,978	44,112	43,150
- financial investments held-to-maturity	(633)	1,173	1,839	2,109
- derivatives	77,809	24,017	69,430	24,017
	8,101	30,478	150,917	104,715
Gross dividend income from:				
Financial assets held-for-trading	405	(2,548)	2,070	7,571
Financial investments available-for-sale	30,756	11,466	51,070	31,978
Financial investments held-to-maturity	20,546	25,759	21,943	26,002
	51,707	34,677	75,083	65,551
Net unrealised (loss)/gain on revaluation of				
- financial assets held-for-trading	3,722	(6,620)	12,713	(16,684)
- derivatives	(47,575)	37,456	(149,630)	80,654
	(43,853)	30,836	(136,917)	63,970
Net realised (loss)/gain on fair value changes arising from fair value hedge	(14,146)	1,491	(28,336)	(30,352)
Net unrealised (loss)/gain on fair value changes arising from fair value hedges	(12,744)	(8,686)	8,774	27,805
Other income:				
Foreign exchange gain	64,091	36,844	195,871	112,231
Rental income	2,840	559	4,922	1,740
Gain on disposal of property and equipment	295	869	959	477
Gain on liquidation	-	(132)	-	-
Gain on disposal of general insurance business	-	-	-	618,646
Others	5,686	2,325	25,442	27,755
	72,912	40,465	227,194	760,849
Total non interest income	338,989	343,648	1,092,869	1,767,085

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Fee income:				
Management fees	2,318	1,847	8,012	7,388
Net realised (loss)/gain from sale/redemption of securities portfolio:				
- financial assets-held-for-trading	-	(5,585)	122	(78)
- derivatives	(5,342)	8,905	(13,721)	8,905
Gross dividend income from:				
Financial assets held-for-trading	275	3,754	1,728	7,208
Subsidiary companies	-	-	297,422	228,491
Unrealised (loss)/gain on revaluation of:				
- financial assets held-for-trading	-	-	-	30
- derivatives	(11,077)	(5,482)	(11,237)	(10,235)
Other income:				
Gain from capital redemption	-	-	-	937,500
Others	(4,055)	(10)	(4,840)	3,530
Total non interest income	<u>(17,881)</u>	<u>3,429</u>	<u>277,486</u>	<u>1,182,739</u>

20. Overhead expenses

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	213,045	207,100	997,072	618,181
- Voluntary separation scheme (VSS)*	(1,978)	-	113,651	-
- Medical expenses	9,798	6,722	29,573	15,540
- Training and convention expenses	7,543	8,248	27,577	16,253
- Staff welfare	6,940	4,291	22,945	13,263
- Others	14,705	9,011	26,856	23,363
<u>Establishment costs</u>				
- Depreciation of property and equipments	30,037	21,433	109,246	65,946
- Amortisation of intangible assets	48,666	14,088	75,842	27,683
- Rental	18,979	15,951	78,258	56,039
- Information technology expenses	28,545	33,969	98,625	80,944
- Security services	9,854	7,935	29,564	18,538
- Electricity, water and sewerage	5,926	5,705	24,718	14,452
- Hire of plant and machinery	2,783	2,227	13,749	8,996
- Others	6,455	4,698	25,316	19,921
<u>Marketing expenses</u>				
- Advertisement and publicity	21,315	17,529	40,527	37,328
- Credit card related fees	14,895	15,029	65,051	50,809
- Commission	7,176	3,819	18,096	10,804
- Others	5,079	840	18,000	8,057
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,129	2,722	16,213	8,482
- Stationery & printing	4,475	5,360	21,946	14,093
- Professional fees	22,548	35,988	83,331	77,489
- Insurance fee	4,273	3,758	20,431	12,515
- Credit card fees	16,223	8,663	64,813	30,129
- Travelling and transport expenses	1,672	180	7,325	3,926
- Registration and license fees	902	600	5,096	3,510
- Brokerage and comission	1,434	1,232	5,005	4,478
- Others	16,723	58,465	55,572	101,503
	<u>522,142</u>	<u>495,563</u>	<u>2,094,398</u>	<u>1,342,242</u>

* Hong Leong Bank has implemented a Voluntary Separation Scheme (VSS). This scheme was being introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	8,041	3,542	26,560	11,708
- Medical expenses	19	23	86	89
- Training and convention expenses	9	11	73	73
- Staff welfare	42	51	222	207
- Others	1,236	951	1,345	3,117
<u>Establishment costs</u>				
- Depreciation of property and equipments	88	193	593	755
- Amortisation of intangible assets	3	21	9	115
- Rental	182	166	700	680
- Electricity, water and sewerage	6	6	27	25
- Hire of plant and machinery	8	5	28	25
- Others	80	58	152	166
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	9	36	33
- Stationery & printing	10	9	45	49
- Travelling and transport expenses	92	53	415	390
- Others	625	833	3,844	15,401
	<u>10,449</u>	<u>5,931</u>	<u>34,135</u>	<u>32,833</u>

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

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Allowance for losses on loans, advances and financing:				
(a) Collective assessment allowance				
- made during the financial year	140,054	116,638	462,476	289,695
(b) Individual assessment allowance				
- written back during the financial year	(26,771)	(18,153)	(78,022)	(11,334)
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- written back during the financial year	-	-	-	(1,905)
(b) General allowance				
- made during the financial year	107	124	107	1,562
(c) Individual assessment allowance				
- made/(written back)	2,310	339	(888)	(1,442)
Bad debts and financing written off	39,425	3,740	45,431	10,576
Bad debts and financing recovered	(89,033)	(83,848)	(321,074)	(150,631)
	<u>66,092</u>	<u>18,840</u>	<u>108,030</u>	<u>136,521</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 2012 and 30 June 2011 met the minimum requirement.

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad		MIMB Investment Bank Berhad	
	As at	As at	As at	As at	As at	As at	As at	As at
	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Components of Tier - 1 and Tier - 2 Capital								
Tier -1 capital								
Paid up share capital	1,879,909	1,580,107	1,879,909	1,580,107	265,535	265,535	75,000	75,000
Share premium	2,832,383	539,664	2,832,383	539,664	-	-	87,950	87,950
Retained profit	5,085,583	3,985,874	3,988,722	3,212,562	(31,416)	25,192	(71,611)	9,717
Other Reserves	2,152,230	1,931,653	1,927,506	1,798,885	47,352	28,222	83,385	83,385
Non-innovative Tier-1 stapled securities	1,396,630	1,394,665	1,396,630	1,394,665	-	-	-	-
Innovative Tier-1 capital securities	490,292	490,273	488,826	-	-	-	-	-
Less : Treasury Shares	(714,792)	(671,744)	(714,792)	(671,744)	-	-	-	-
Less : Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	-	-	(30,236)	-	(66,663)
Less : Deferred Tax	-	(63,907)	-	(102,281)	-	(41,716)	(35,469)	(35,319)
Add : Minority interest	-	-	-	-	-	-	-	-
Total tier 1 capital	11,290,923	7,355,273	10,027,637	7,751,858	281,471	246,997	139,255	154,070
Tier - 2 capital								
Collective assessment allowance	1,343,193	1,288,699	1,157,646	587,106	2,815	1,574	1,086	1,294
Subordinated obligations	4,341,165	2,833,327	4,340,557	1,693,352	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631	-	-
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000	-	-	-	-
Total tier 2 capital	5,684,358	6,422,026	5,498,203	4,580,458	4,446	3,205	1,086	1,294
Total eligible tier-2 capital	5,684,358	6,422,026	5,498,203	4,580,458	4,446	3,205	1,086	1,294
Total capital	16,975,281	13,777,299	15,525,840	12,332,316	285,917	250,202	140,341	155,364
Less : Investment in associated company	(1,540,288)	(1,325,707)	(946,505)	(946,505)	-	-	-	-
Less : Investment in subsidiary companies	-	-	(2,081,933)	(6,088,873)	(588)	(588)	(220)	(220)
Less : Investment in jointly controlled entity	(76,871)	(75,252)	(76,711)	(76,711)	-	-	-	-
Total capital base	15,358,122	12,376,340	12,420,691	5,220,227	285,329	249,614	140,121	155,144
Before deducting proposed dividends								
Core Capital Ratio	11.67%	8.47%	11.70%	11.56% *	24.78%	38.18%	91.48%	73.37%
Risk-weighted Capital Ratio	15.88%	14.26%	14.50%	11.56% *	25.12%	38.58%	92.05%	73.88%
After deducting proposed dividends								
Core Capital Ratio	11.30%	8.28%	11.28%	11.19% *	23.15%	35.66%	91.48%	73.37%
Risk-weighted Capital Ratio	15.50%	14.06%	14.07%	11.19% *	23.49%	36.06%	92.05%	73.88%

22. Capital adequacy (continued)

* As stipulated under Bank Negara Malaysia ("BNM") Guidelines, the Hong Leong Bank Berhad ("HLB")'s Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.

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

	Hong Leong Islamic Bank Berhad (1)	MIMB Investment Bank Berhad (2)
As at 30 June 2012		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	9.77%	
Risk-weighted capital ratio	<u>13.52%</u>	
<u>After deducting proposed dividends:</u>		
Core capital ratio	9.49%	
Risk-weighted capital ratio	<u>13.24%</u>	
As at 30 June 2011		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	16.06%	73.37%
Risk-weighted capital ratio	<u>17.65%</u>	<u>73.88%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	15.41%	73.37%
Risk-weighted capital ratio	<u>16.99%</u>	<u>73.88%</u>

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

23. Event after Balance Sheet date

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

- (a) On 1 December 2009, HLA Holdings Sdn Bhd ("HLAH"), a wholly-owned subsidiary of HLF, 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 15 August 2012, HLAH has completed its RM2.0 billion MTN issuance. The MTN has a maturity of 5 years and has a call option to redeem the MTN anytime.

- (b) On 13 August 2012, MIMB 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, MIMB further increased its authorised share capital by way of 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

24. Changes in composition of the Group

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

- (a) On 1 July 2011, HLB, a subsidiary of HLF, had announced that the whole of the business including all assets and liabilities of EON Bank Berhad ("EBB") have been vested to HLB effective 1 July 2011 ("Vesting").

Following the Vesting, EBB has surrendered its banking licence to BNM on 1 July 2011 and has ceased operations.

On 1 July 2011, all of the direct subsidiaries of EBB including EONCAP Islamic Bank Berhad and MIMB became direct subsidiaries of HLB.

- (b) Pursuant to an internal reorganisation exercise, HLB had, on 1 July 2011, entered into a share sale agreement ("SSA") with HLB Principal Investments (L) Limited ("HLBPIL"), a wholly-owned subsidiary of HLB, for the transfer by HLB of its entire equity interest in EBB to HLBPIL.

The SSA was completed on 1 July 2011 immediately following the vesting of business from EBB to HLB and the surrender of EBB's banking licence to BNM.

Upon completion of the internal reorganisation exercise, EBB became a wholly-owned subsidiary of HLBPIL, which is in turn a wholly-owned subsidiary of HLB.

- (c) On 1 June 2012, HLB announced that the proposed disposal of MIMB to Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLF, had been completed. Following the disposal, MIMB had ceased to be a wholly-owned subsidiary of HLB and became a wholly-owned subsidiary of HLCB.

- (d) Pursuant to an internal reorganisation, HLAH had on 28 June 2012, entered into a share sale agreement with Hong Leong Investment Bank Berhad ("HLIB"), a wholly-owned subsidiary of HLCB, for the acquisition of the entire equity interest in RC Holdings Sdn Bhd ("RCH") from HLIB ("Acquisition").

Following the Acquisition, RCH become wholly-owned subsidiary of HLAH.

- (e) On 24 July 2012, HLF announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLF Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.00 comprising 100 ordinary shares. The intended activity for HLFGPI is investment holding.

25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	Group	
	Principal Amount 30/06/2012 RM'000	Principal Amount 30/06/2011 RM'000
Direct credit substitutes	494,801	559,290
Transaction-related contingent items	1,410,727	1,394,682
Short-term self liquidating trade-related contingencies	1,557,667	616,404
Underwriting obligation	71,513	92,238
Irrevocable commitments to extend credit:		
-maturity more than 1 year	12,720,869	12,488,631
-maturity less than 1 year	17,750,840	17,617,166
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	304,099	302,249
Foreign exchange related contracts	40,657,128	38,485,280
Interest rate related contracts	69,617,031	61,124,760
Equity related contracts	89,041	225,221
Unutilised credit card lines	9,200,627	9,296,768
Total	<u>153,874,343</u>	<u>142,202,689</u>

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

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

26. Related party transactions

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

27 Prior year adjustments

During the financial year, the Group finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of ECB as allowed by FRS 3.

	Group		
	As previously reported RM'000	FRS 3 Adjustment RM'000	As restated RM'000
As at 30 June 2011			
Statement of financial position			
Financial investments available-for-sale	10,745,477	53,496	10,798,973
Financial investments held-to-maturity	8,141,334	(33,136)	8,108,198
Loans, advances and financing	82,735,477	(495,421)	82,240,056
Other receivables	1,141,112	16,441	1,157,553
Deferred taxation	577,884	(505,190)	72,694
Property and equipment	960,252	50,661	1,010,913
Intangible assets	1,806,273	987,357	2,793,630
Payable and other liabilities	3,785,776	69,113	3,854,889
Provision for taxation	217,734	(137,159)	80,575
Subordinated obligations	2,837,943	47,085	2,885,028
Innovative Tier 1 capital securities	503,069	92,651	595,720
Total assets	156,185,567	74,208	156,259,775
Total liabilities	145,925,547	71,690	145,997,237
Total equity	10,260,020	2,518	10,262,538
Total equity and liabilities	156,185,567	74,208	156,259,775
Statement of changes in equity			
Retained profits	4,909,703	1,665	4,911,368
Non-controlling interest	2,790,686	853	2,791,539
Statement of income			
Interest expense	(1,678,360)	9,254	(1,669,106)
Overhead expenses	(1,336,344)	(5,898)	(1,342,242)
Profit before taxation and zakat	2,419,328	3,356	2,422,684
Taxation and zakat	(349,979)	(838)	(350,817)
Profit after taxation and zakat	2,069,349	2,518	2,071,867
Attributable to:			
Owners of the parent	1,671,914	1,665	1,673,579
Non-controlling interest	397,435	853	398,288
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)			
- basic	161.2	0.2	161.4
- fully diluted	160.7	0.2	160.9

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

1 Review of performance

Current quarter against preceding year's corresponding quarter

HLFG Group achieved a profit before tax of RM585.3 million for the current quarter ended 30 June 2012 as compared to RM516.1 million in the previous corresponding quarter. The Group recorded an increase in profit before tax by RM69.2 million (+13.4%). This is mainly due to contribution from the enlarged Hong Leong Bank entity arising from the acquisition of assets and liabilities of EON Capital Group (“ECB”).

HLB Group recorded a higher profit before tax of RM503.4 million for the current financial quarter ended 30 June 2012, an increase of RM119.6 million (+31.2%) as compared to previous corresponding quarter. Overall the increase was due to contribution from the enlarge entity arising from the acquisition of assets and liabilities of ECB which resulted in a higher net income from the increased loan growth boost from the merger. This was offset by lower share of profit from Bank of Chengdu Co., Ltd (“BOCD”) of RM13.2 million against the preceding year's corresponding quarter.

The Hong Leong Capital Group recorded a profit before tax of RM14.6 million for the current quarter ended 30 June 2012 as compared to RM7.9 million in the previous year's corresponding quarter. This was mainly due to the increase in fees income, however was offset by a higher operating expenses for the quarter.

The HLA Holdings Group maintained a profit before tax of RM108.3 million for the current quarter ended 30 June 2012 similar to the previous year's corresponding quarter. This is mainly due to higher net income received, however was offset by higher personnel cost as compared to preceding years's corresponding quarter.

2 Financial year-to-date against preceding financial year-to-date

HLFG Group achieved a profit before tax of RM2,222.5 million for the financial year ended 30 June 2012 as compared to RM2,422.7 million in the previous financial year. Stripping away the one-off life insurance surplus transfer of RM175 million as well as a gain on the transfer of HLA General business to MSIG of RM619.0 million in the preceding corresponding financial year's, the Group recorded an increase in profit before tax by RM593.8 million (+36.5%). This is mainly due to contribution from the enlarged Hong Leong Bank entity arising from the acquisition of assets and liabilities of EON Capital Group (“ECB”).

HLB Group recorded a profit before tax of RM2,108.9 million for the financial year ended 30 June 2012 against RM1,415.2 million in the previous corresponding financial year, an increase of RM693.7 million or +49.0%. The higher contribution this financial year is mainly due to the added results of the acquired ECB business coupled with higher share of profits from our 20% equity stake in BOCD. The share of profit from BOCD was RM217.0 million for the financial year ended 30 June 2012, 2.8% higher as compared to the previous corresponding financial year of RM211.0 million.

Hong Leong Capital Group recorded a profit before tax of RM49.5 million for the current financial year ended 30 June 2012 as compared to RM50.5 million in the previous financial year. The decrease in profit is mainly due to lower asset management fee income as well as higher overhead expenses incurred; partially due to the start up cost for a new subsidiary in Singapore.

HLA Holdings Group registered a profit before tax of RM144.3 million for the financial year ended 30 June 2012 as compared to RM174.5 million ‘normalised profit’ (net of the one-off life surplus transfer of RM175.0 million as well as a gain on the transfer of HLA General business to MSIG of RM619.0 million) in the previous financial year. The slightly lower in profit in the current financial year is mainly due to a one-off Group management fee of RM24.0 million in relation to the MSIG insurance. Our share of MSIG Malaysia profits amounted to RM52.0 million for the financial year ended 30 June 2012 as compared to RM39.9 million (9 months from Oct'10 – Jun'11) in the previous corresponding financial year.

3 Current quarter against preceding financial quarter

HLFG Group achieved a profit before tax of RM585.3 million for the current quarter ended 30 June 2012 as compared to RM641.4 million in the preceeding quarter. The lower profit for the current quarter is mainly attributable to lower contribution from the banking and insurance subsidiaries of the Group.

The Hong Leong Bank Group recorded a lower profit before tax of RM503.4 million for the current financial quarter ended 30 June 2012 as compared to RM598.5 million in the preceeding quarter. The lower profit is mainly attributable to lower net income against the preceding quarter as well as lower share of profit in BOCD for the current quarter.

3 Current quarter against preceding financial quarter (continued)

The Hong Leong Capital Group recorded a profit before tax of RM14.6 million for the current quarter ended 30 June 2012 as compared to RM12.4 million in the preceding quarter. This is mainly due to slightly higher fees income as compared to preceding financial quarter.

The HLA Holdings Group recorded a profit before tax of RM108.3 million for the current quarter ended 30 June 2012 as compared to RM21.0 million in the preceeding quarter. The higher profit is mainly due to a surplus transfer of Life reserve of RM66 million during the current quarter.

4 Prospects for the next financial year

Barring unforeseen circumstances and a severe economic downturn, the Group is expected to perform satisfactorily for the next financial year.

5 Variance of actual profit from forecasted profit

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

6 Taxation

Provision based on profits for the financial year 30 June 2012

	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Tax expense				
Malaysian – current	(123,158)	(34,451)	(477,771)	(338,176)
Overseas – current	(133)	(241)	(133)	(241)
Transfer from deferred tax	(156,210)	(13,339)	(167,139)	(8,031)
	<u>(279,501)</u>	<u>(48,031)</u>	<u>(645,043)</u>	<u>(346,448)</u>
Prior year over/(under) provision				
- Malaysian	149,390	(61,719)	149,390	(4,241)
	<u>(130,111)</u>	<u>(109,750)</u>	<u>(495,653)</u>	<u>(350,689)</u>

The effective tax rate for the Group for the financial year based on our tax estimates is lower than the statutory rate of taxation as certain income was not subjected to tax.

	Company		Company	
	Current quarter ended 30/06/2012 RM '000	30/06/2011 RM '000	Current year ended 30/06/2012 RM '000	30/06/2011 RM '000
Tax expenses				
Malaysian – current	13,000	3,500	(61,742)	(53,348)
Transfer (from) / to deferred tax	-	-	-	-
	<u>13,000</u>	<u>3,500</u>	<u>(61,742)</u>	<u>(53,348)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>13,000</u>	<u>3,500</u>	<u>(61,742)</u>	<u>(53,348)</u>

7 Sale of properties/unquoted investments

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

8 Purchase/sale of quoted securities of the Group

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

9 Status of corporate proposals

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

(a) On 6 March 2012, HLB announced that it had placed the following dormant wholly-owned subsidiaries under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:-

- 1) EFB Berhad;
- 2) OFB Berhad;
- 3) CFB Nominees (Tempatan) Sdn Bhd;
- 4) Perkasa Nominees (Tempatan) Sdn Bhd;
- 5) CFB Asa Berhad;
- 6) Oriental Nominee (Tempatan) Sdn Bhd; and
- 7) PFB Asa Berhad

On 26 June 2012, HLB announced that the liquidator of CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominees (Tempatan) Sdn Bhd ("Subsidiaries") had convened final meetings for the respective Subsidiaries to conclude the member's voluntary winding-up of the respective Subsidiaries.

The Return by Liquidator Relating To Final Meeting of the respective Subsidiaries was lodged on 26 June 2012 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, the Subsidiaries will be dissolved.

(b) On 10 April 2012, HLB entered into the following:

- (i) a conditional sale and purchase agreement with HLCB for the Proposed Disposal of MIMB ("MIMB SPA") for an indicative cash consideration of RM157.90 million;
- (ii) a letter of indemnity from HLB to HLCB pursuant to the MIMB SPA; and
- (iii) a conditional sale and purchase agreement with HLCB for the proposed acquisition of the entire equity interest in HLIB ("HLIB SPA") for a sum equal to the net tangible assets of HLIB as at the date immediately preceding the completion date of the HLIB SPA.

The Proposed Disposal of MIMB was completed on 1 June 2012. With effect from 1 June 2012, MIMB had ceased to be a wholly-owned subsidiary of HLB.

Following from the certification by the Auditors of the Completion Net Tangible Assets ("NTA"), the final consideration in respect of the acquisition of MIMB has been determined at RM139.29 million. On 14 August 2012, HLB had paid the sum of RM18.61 million to HLCB, being the differential amount between the final consideration and the indicative consideration of RM157.90 million.

(c) On 13 August 2012, HLCB announced that HLIB had entered into a Business Transfer Agreement with MIMB for the transfer of the entire assets, liabilities, activities, business and undertakings of HLIB ("HLIB's Business Undertakings") to MIMB for a provisional consideration of RM251.30 million ("Proposed Business Rationalisation"). HLIB's Business Undertakings shall subsequently be vested to MIMB pursuant to a Court Order to be procured. The completion of the Proposed Business Rationalisation shall take place on such date as may be ordered by the High Court of Malaya. Upon completion of the Proposed Business Rationalisation, HLIB shall surrender its merchant banking license to BNM and its Capital Markets Services License to the Securities Commission.

On 16 August 2012, HLCB announced that the High Court of Malaya had on 15 August 2012 granted a Vesting Order for the transfer of HLIB's Business Undertakings to MIMB with effect from 29 September 2012.

(d) On 26 July 2012, HLB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares) ("Proposed New HLB ESOS").

The Proposed New HLB ESOS is subject to the following:

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

9 Status of corporate proposals (continued)

- (e) 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) ("Proposed New HLFG ESOS").

The Proposed New HLFG ESOS is subject to the following:

- (i) approval-in-principle of Bursa Securities for the listing of and quotation for the new HLFG shares to be issued pursuant to the exercise of the Options under the Proposed New HLFG ESOS; and
- (ii) approval of the shareholders of HLFG.

10 Group borrowings

The Group borrowings include:

	As at 30/06/2012 RM '000	As at 30/06/2011 RM '000
Bank loans	633,383	1,535,859
Capital market borrowing	1,110,955	678,381
Subordinated obligations	4,369,385	2,928,864
Senior Bonds	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,407,283	1,405,706
Innovative Tier 1 capital securities	574,581	551,884
	<u>10,003,380</u>	<u>8,011,504</u>

Bank loans

The Company unsecured short term loan facility of RM1.2 billion has been fully repaid on 5 December 2011.

Capital market borrowings

The Company has informed the facility agent of its intention to retire its 7 years RM800 million CP/MTNs programme on 15 December 2011.

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

The Master Debt Programme comprises the following:

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

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

As at 30 June 2012, the Company has issued RM560 million of CPs and RM550 million MTNs.

10 Group borrowings (continued)

Subordinated bonds

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.

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

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

On 27 February 2009, EBB, 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 EBB 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, EBB 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 EBB 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, EBB 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 EBB 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.

The above tranches of Subordinated MTNs constitute unsecured liabilities of EBB 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 II capital for the purpose of determining the capital adequacy ratio of HLB Group.

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 the Bank 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 Group.

10 Group borrowings (continued)

Senior Bonds

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

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

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

Non-innovative Tier 1 stapled securities

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion.

NIT-1 Stapled Securities, which is perpetual in nature and callable at the end of year 5 and on each coupon payment date subject to approval of BNM, pays a semi annual coupon of 5.05% per annum.

Innovative Tier 1 capital securities

On 10 September 2009, EBB 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 EBB has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

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

11 Off-Balance Sheet financial instruments

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

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	26,829,897	136,747	(223,706)
(ii) 1 year to 3 years	27,944	-	(408)
- Swaps			
(i) Less than 1 year	7,643,081	101,796	(51,221)
(ii) 1 year to 3 years	753,223	3,438	(10,444)
(iii) More than 3 years	1,220,814	40,122	(46,653)
- Options			
(i) Less than 1 year	3,957,578	21,620	(22,096)
(ii) 1 year to 3 years	224,591	4,746	(4,746)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,734,250	86	(1,687)
(ii) 1 year to 3 years	2,129,232	7,754	(17,019)
(iii) More than 3 years	107,189	111	(323)
- Swaps			
(i) Less than 1 year	10,319,236	26,384	(40,779)
(ii) 1 year to 3 years	22,748,629	124,236	(165,247)
(iii) More than 3 years	29,578,495	510,794	(552,781)
Equity related contracts			
(i) Less than 1 year	69,293	796	(796)
(ii) 1 year to 3 years	9,748	-	-
(iii) More than 3 years	10,000	2,250	-
Total	110,363,200	980,880	(1,137,906)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM681,275,001 (FYE June 2011: RM607,463,001) and RM57,680,193,113 (FYE June 2011: RM50,272,681,745) respectively.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM987,969,092 (FYE June 2011: RM760,163,989). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

12 Material litigation

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

13 HLFG Dividends

For the financial year ended 30 June 2012, a total dividend of 25 sen per share (single tier) was declared (2011: 25 sen per share (6.3 sen less income tax of 25% and 18.7 sen combination of tax exempt and single tier) and a special dividend of 3 sen per share (single tier)).

14 Earnings per share

(a) Basic earnings per share

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

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Weighted average number of ordinary shares	1,039,760	1,036,978	1,039,760	1,036,978
Net profit attributable to shareholders of the company	273,695	296,729	1,154,766	1,673,579
Basic earnings per share (Sen)	26.3	28.6	111.1	161.4

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Weighted average number of ordinary shares	1,043,046	1,040,498	1,043,046	1,040,498
Net profit attributable to shareholders of the company	(28,810)	684	145,116	1,083,451
Basic earnings per share (Sen)	(2.8)	0.1	13.9	104.1

(b) Fully diluted earnings per share

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

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Weighted average number of ordinary shares				
- during the period	1,039,760	1,036,978	1,039,760	1,036,978
- adjustment for ESOS	5,439	3,452	5,439	3,452
Net profit attributable to shareholders of the company	273,695	296,729	1,154,766	1,673,579
Fully diluted earnings per share (Sen)	26.2	28.5	110.5	160.9

14 Earnings per share (continued)

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/06/2012 RM '000	Last year quarter ended 30/06/2011 RM '000	Current year to date 30/06/2012 RM '000	Last year to date 30/06/2011 RM '000
Weighted average number of ordinary shares				
- during the period	1,043,046	1,040,498	1,043,046	1,040,498
- adjustment for ESOS	5,048	3,249	5,048	3,249
Net profit attributable to shareholders of the company	(28,810)	684	145,116	1,083,451
Fully diluted earnings per share (Sen)	(2.7)	0.1	13.8	103.8

15 Realised and unrealised profit

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

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

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

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

	Group As at 30/06/2012 RM '000	Group As at 30/06/2011 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	5,636,693	4,770,467
- Unrealised	1,053,780	1,051,802
Total share of retained profits from associated companies		
- Realised	721,025	474,627
- Unrealised	109	-
Total share of retained profits from jointly controlled entity		
- Realised	160	(1,459)
- Unrealised	-	-
	7,411,767	6,295,437
Less : Consolidated adjustment	(1,849,101)	(1,384,069)
Total Group retained profits as per consolidated accounts	5,562,666	4,911,368

Dated this 28 August 2012