

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
|--|---|---|
| <b>THE GROUP</b>   |   |   |
| <b><u>Assets</u></b>   |   |   |
| Cash and short term funds  | 9,429,592                               | 8,463,194                               |
| Deposits and placements with banks and other financial institutions                                      | 3,033,666                               | 4,325,129                               |
| Securities purchased under resale agreements   | 4,056,670                               | 12,163,252                              |
| Financial assets held-for-trading  | 8,524,673                               | 9,238,804                               |
| Financial investments available-for-sale   | 35,767,092                              | 29,623,057                              |
| Financial investments held-to-maturity   | 12,911,318                              | 10,941,838                              |
| Derivative financial instruments   | 1,062,358                               | 1,468,084                               |
| Loans, advances and financing  | 120,444,892                             | 113,111,668                             |
| Clients' and brokers' balances   | 395,884                                 | 337,631                                 |
| Other receivables  | 1,818,768                               | 1,417,681                               |
| Statutory deposits with Central Banks  | 4,328,519                               | 3,532,372                               |
| Tax recoverable  | 29,011                                  | 49,961                                  |
| Investment in associates   | 3,982,091                               | 3,740,302                               |
| Investment in joint ventures   | 145,183                                 | 129,230                                 |
| Property and equipment   | 1,849,202                               | 1,149,955                               |
| Goodwill   | 2,410,644                               | 2,410,644                               |
| Intangible assets  | 284,971                                 | 337,842                                 |
| <b>Total Assets</b>  | <b>210,474,534</b>                      | <b>202,440,644</b>                      |
| <b><u>Liabilities</u></b>  |   |   |
| Deposits from customers  | 149,490,533                             | 140,955,465                             |
| Deposits and placements of banks and other financial institutions  | 8,106,000                               | 8,943,622                               |
| Obligations on securities sold under repurchase agreements   | 3,494,903                               | 3,691,338                               |
| Bills and acceptances payable  | 350,455                                 | 1,900,967                               |
| Derivatives financial instruments  | 1,654,225                               | 1,369,365                               |
| Clients' and brokers' balances   | 279,919                                 | 192,728                                 |
| Payables and other liabilities   | 6,237,822                               | 5,796,694                               |
| Provision for claims   | 141,175                                 | 128,905                                 |
| Provision for taxation   | 39,357                                  | 168,926                                 |
| Deferred tax liabilities   | 202,237                                 | 171,845                                 |
| Borrowings   | 3,191,919                               | 3,096,882                               |
| Subordinated obligations   | 2,958,641                               | 5,161,255                               |
| Non-innovative Tier 1 stapled securities   | -                                       | 1,410,869                               |
| Innovative Tier 1 capital securities   | 521,512                                 | 530,223                                 |
| Insurance funds  | 10,628,680                              | 9,457,257                               |
| <b>Total Liabilities</b>   | <b>187,297,378</b>                      | <b>182,976,341</b>                      |
| <b><u>Equity</u></b>   |   |   |
| Share capital  | 1,147,517                               | 1,052,768                               |
| Capital reserves   | 5,763,641                               | 4,083,755                               |
| Retained profits   | 8,228,437                               | 7,816,792                               |
| Fair value reserve   | 237,252                                 | 170,409                                 |
| Treasury shares for ESOS   | (35,712)                                | (12,698)                                |
| <b>Total shareholders' equity</b>  | <b>15,341,135</b>                       | <b>13,111,026</b>                       |
| Non-controlling interests  | 7,836,021                               | 6,353,277                               |
| <b>Total Equity</b>  | <b>23,177,156</b>                       | <b>19,464,303</b>                       |
| <b>Total Liabilities and Equity</b>  | <b>210,474,534</b>                      | <b>202,440,644</b>                      |
| <b>Commitment and Contingencies</b>  | <b>159,472,609</b>                      | <b>157,622,016</b>                      |
| Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM) | 13.42                                   | 12.48                                   |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | Individual Quarter          |                             | Cumulative Quarter    |                       |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|
|  | Current                     | Last year                   | Current year          | Last year             |
|  | quarter ended<br>30/06/2016 | quarter ended<br>30/06/2015 | to date<br>30/06/2016 | to date<br>30/06/2015 |
| <b>THE GROUP</b>   | <b>RM '000</b>              | <b>RM '000</b>              | <b>RM '000</b>        | <b>RM '000</b>        |
| Interest income  | 1,602,049                   | 1,578,114                   | 6,448,483             | 6,250,419             |
| Interest expense   | (943,068)                   | (920,204)                   | (3,807,541)           | (3,540,724)           |
| Net interest income  | 658,981                     | 657,910                     | 2,640,942             | 2,709,695             |
| Net income from Islamic banking business   | 121,146                     | 104,795                     | 467,466               | 419,758               |
| Non-interest income  | 426,370                     | 456,221                     | 1,434,920             | 1,361,491             |
| Net income   | 1,206,497                   | 1,218,926                   | 4,543,328             | 4,490,944             |
| Overhead expenses  | (552,242)                   | (532,397)                   | (2,284,381)           | (2,000,263)           |
| Operating profit before allowances   | 654,255                     | 686,529                     | 2,258,947             | 2,490,681             |
| Writeback of/(Allowance for) impairment losses on loans, advances and financing and other losses | 51,119                      | (22,510)                    | (52,537)              | 52,644                |
| (Allowance for)/Writeback of impairment losses   | (23,115)                    | (9,734)                     | (43,480)              | 2,603                 |
|  | 682,259                     | 654,285                     | 2,162,930             | 2,545,928             |
| Share of results of associated companies   | 100,312                     | 122,482                     | 381,057               | 463,297               |
| Share of results of joint ventures   | 6,237                       | 3,687                       | 21,051                | 14,060                |
| Profit before taxation   | 788,808                     | 780,454                     | 2,565,038             | 3,023,285             |
| Taxation   | (188,290)                   | (90,791)                    | (501,494)             | (562,908)             |
| Net profit for the financial year  | 600,518                     | 689,663                     | 2,063,544             | 2,460,377             |
| Attributable to:   |                             |                             |                       |                       |
| Owners of the parent   | 393,497                     | 441,250                     | 1,358,895             | 1,620,743             |
| Non-controlling interests  | 207,021                     | 248,413                     | 704,649               | 839,634               |
| Net profit for the financial year  | 600,518                     | 689,663                     | 2,063,544             | 2,460,377             |
| Earnings per share - basic (sen)   | 34.4                        | 42.0                        | 123.2                 | 154.3                 |
| Earnings per share - fully diluted (sen)   | 34.4                        | 42.0                        | 123.2                 | 154.3                 |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | Individual Quarter                          |   | Cumulative Quarter                         |   |
|--|---|---|--|---|
|  | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| <b>THE GROUP</b>   |   |   |  |   |
| Net profit for the financial year                                      | 600,518                                     | 689,663                                       | 2,063,544                                  | 2,460,377                               |
| Other comprehensive income/(loss):                                     |   |   |  |   |
| <u>Items that may be reclassified subsequently to profit or loss:</u>  |   |   |  |   |
| Share of other comprehensive (loss)/income of associated companies     | (1,136)                                     | 2,576   | 7,426                                      | 10,156                                  |
| Net fair value changes in financial investments available-for-sale     | 44,942                                      | 20,932  | 113,416                                    | (128,349)                               |
| Net fair value changes in cash flow hedge                              | (562)                                       | 1,003   | (2,477)                                    | 216                                     |
| Currency translation differences                                       | 96,502                                      | 603,984                                       | 181,580                                    | 714,895                                 |
| Income tax relating to components of other comprehensive (income)/loss | (9,531)                                     | (35,983)                                      | (21,614)                                   | 1,535                                   |
| Other comprehensive income for the financial year, net of tax          | 130,215                                     | 592,512                                       | 278,331                                    | 598,453                                 |
| Total comprehensive income for the financial year, net of tax          | 730,733                                     | 1,282,175                                     | 2,341,875                                  | 3,058,830                               |
| Attributable to:   |   |   |  |   |
| Owners of the parent   | 481,763                                     | 830,774                                       | 1,547,606                                  | 1,980,613                               |
| Non-controlling interests  | 248,970                                     | 451,401                                       | 794,269                                    | 1,078,217                               |
|  | 730,733                                     | 1,282,175                                     | 2,341,875                                  | 3,058,830                               |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

|   | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
|---|---|---|
| <b>THE COMPANY</b>  |   |   |
| <b><u>Assets</u></b>  |   |   |
| Cash and short term funds   | 9,620                                   | 8,345                                   |
| Deposits and placements with banks and other financial institutions | 8,400                                   | 8,888                                   |
| Derivative financial instruments                                    | 80                                      | 126                                     |
| Other receivables   | 687                                     | 788                                     |
| Tax recoverable   | 2,729                                   | 9,771                                   |
| Deferred tax assets   | 330                                     | 2,170                                   |
| Investment in subsidiary companies                                  | 16,915,160                              | 15,007,609                              |
| Property and equipment  | 1,729                                   | 2,375                                   |
| Intangible assets   | 106                                     | 213                                     |
| <b>Total Assets</b>   | <b>16,938,841</b>                       | <b>15,040,285</b>                       |
| <b><u>Liabilities</u></b>   |   |   |
| Derivative financial instruments                                    | 1,455                                   | 1,158                                   |
| Payables and other liabilities                                      | 9,351                                   | 11,103                                  |
| Borrowings  | 1,641,717                               | 860,666                                 |
| <b>Total Liabilities</b>  | <b>1,652,523</b>                        | <b>872,927</b>                          |
| <b><u>Financed by:</u></b>  |   |   |
| Share capital   | 1,147,517                               | 1,052,768                               |
| Capital reserves  | 1,374,482                               | 372,220                                 |
| Retained profits  | 12,764,322                              | 12,742,372                              |
| Treasury shares for ESOS  | (3)                                     | (2)                                     |
| <b>Total Equity</b>   | <b>15,286,318</b>                       | <b>14,167,358</b>                       |
| <b>Total Liabilities and Equity</b>                                 | <b>16,938,841</b>                       | <b>15,040,285</b>                       |
| <b>Commitment and Contingencies</b>                                 | <b>200,000</b>                          | <b>775,000</b>                          |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | Individual Quarter          |                             | Cumulative Quarter    |                       |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|
|  | Current                     | Last year                   | Current year          | Last year             |
|  | quarter ended<br>30/06/2016 | quarter ended<br>30/06/2015 | to date<br>30/06/2016 | to date<br>30/06/2015 |
| <b>THE COMPANY</b>                       | <b>RM '000</b>              | <b>RM '000</b>              | <b>RM '000</b>        | <b>RM '000</b>        |
| Interest income                          | 381                         | 347                         | 5,017                 | 3,457                 |
| Interest expense                         | (14,548)                    | (7,473)                     | (54,357)              | (42,753)              |
| Net interest expense                     | (14,167)                    | (7,126)                     | (49,340)              | (39,296)              |
| Non-interest income                      | 2,153                       | 82,010                      | 524,905               | 851,005               |
| Net (expense)/income                     | (12,014)                    | 74,884                      | 475,565               | 811,709               |
| Overhead expenses                        | (4,890)                     | (973)                       | (15,204)              | (21,396)              |
| Allowance for impairment loss            | (9,714)                     | (1,264)                     | (9,714)               | (3,266)               |
| Profit before taxation                   | (26,618)                    | 72,647                      | 450,647               | 787,047               |
| Taxation                                 | (1,609)                     | (1,769)                     | (4,958)               | (4,472)               |
| Net profit for the financial year        | (28,227)                    | 70,878                      | 445,689               | 782,575               |
| Earnings per share - basic (sen)         | (2.5)                       | 6.7                         | 40.3                  | 74.3                  |
| Earnings per share - fully diluted (sen) | (2.5)                       | 6.7                         | 40.3                  | 74.3                  |

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | Individual Quarter          |                             | Cumulative Quarter    |                       |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|
|  | Current                     | Last year                   | Current year          | Last year             |
|  | quarter ended<br>30/06/2016 | quarter ended<br>30/06/2015 | to date<br>30/06/2016 | to date<br>30/06/2015 |
| <b>THE COMPANY</b>   | <b>RM '000</b>              | <b>RM '000</b>              | <b>RM '000</b>        | <b>RM '000</b>        |
| Net (loss)/profit for the financial year                             | (28,227)                    | 70,878                      | 445,689               | 782,575               |
| Other comprehensive income for the financial year                    | -                           | -                           | -                     | -                     |
| Total comprehensive (loss)/income for the financial year, net of tax | (28,227)                    | 70,878                      | 445,689               | 782,575               |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | Share capital    | Share premium    | Statutory reserve | Other Capital reserve | Share options reserve | Fair value reserve | Cash flow hedge reserve | Regulatory reserve# | Exchange fluctuation reserve | Retained profits | Treasury shares for ESOS | 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                   | RM '000           |
| <b>THE GROUP</b>   |                  |                  |                   |                       |                       |                    |                         |                     |                              |                  |                          |                            |                           |                   |
| At 1 July 2015   | 1,052,768        | 117,229          | 2,964,899         | 134,868               | -                     | 170,409            | 106                     | 402,388             | 464,265                      | 7,816,792        | (12,698)                 | 13,111,026                 | 6,353,277                 | 19,464,303        |
| <b>Comprehensive income</b>  |                  |                  |                   |                       |                       |                    |                         |                     |                              |                  |                          |                            |                           |                   |
| Net profit for the financial year  | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | 1,358,895        | -                        | 1,358,895                  | 704,649                   | 2,063,544         |
| Currency translation differences   | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | 123,103                      | -                | -                        | 123,103                    | 58,477                    | 181,580           |
| Share of other comprehensive income/(loss) of associates                       | -                | -                | -                 | -                     | -                     | 5,869              | -                       | -                   | -                            | -                | -                        | 5,869                      | 1,557                     | 7,426             |
| Net fair value changes in financial investments available-for-sale, net of tax | -                | -                | -                 | -                     | -                     | 60,974             | -                       | -                   | -                            | -                | -                        | 60,974                     | 30,231                    | 91,205            |
| Net fair value changes in cash flow hedge, net of tax                          | -                | -                | -                 | -                     | -                     | -                  | (1,235)                 | -                   | -                            | -                | -                        | (1,235)                    | (645)                     | (1,880)           |
| Total comprehensive (loss)/income  | -                | -                | -                 | -                     | -                     | 66,843             | (1,235)                 | -                   | 123,103                      | 1,358,895        | -                        | 1,547,606                  | 794,269                   | 2,341,875         |
| <b>Transaction with owners</b>   |                  |                  |                   |                       |                       |                    |                         |                     |                              |                  |                          |                            |                           |                   |
| Transfer to statutory reserve  | -                | -                | 345,602           | -                     | -                     | -                  | -                       | -                   | -                            | (345,602)        | -                        | -                          | -                         | -                 |
| Transfer to regulatory reserve   | -                | -                | -                 | -                     | -                     | -                  | -                       | 199,947             | -                            | (199,947)        | -                        | -                          | -                         | -                 |
| Allocation of other reserves to non-controlling interests                      | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | 22,040           | -                        | 22,040                     | (22,040)                  | -                 |
| Dividends paid   | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | (423,739)        | -                        | (423,739)                  | -                         | (423,739)         |
| Non-controlling interests share of dividend                                    | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | -                        | -                          | (267,593)                 | (267,593)         |
| Non-controlling interests share of subsidiaries' treasury shares               | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | -                        | -                          | (26,517)                  | (26,517)          |
| Option charge arising from ESOS  | -                | -                | -                 | -                     | 10,205                | -                  | -                       | -                   | -                            | -                | -                        | 10,205                     | -                         | 10,205            |
| Non-controlling interests subscription of rights shares                        | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | -                        | -                          | 1,004,625                 | 1,004,625         |
| Issue of share pursuant to rights issue exercise                               | 94,749           | 1,002,262        | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | (3,402)                  | 1,093,609                  | -                         | 1,093,609         |
| Purchase of treasury shares  | -                | -                | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | (19,612)                 | (19,612)                   | -                         | (19,612)          |
| Transfer to capital redemption reserve   | -                | -                | -                 | 2                     | -                     | -                  | -                       | -                   | -                            | (2)              | -                        | -                          | -                         | -                 |
| <b>At 30 June 2016</b>   | <b>1,147,517</b> | <b>1,119,491</b> | <b>3,310,501</b>  | <b>134,870</b>        | <b>10,205</b>         | <b>237,252</b>     | <b>(1,129)</b>          | <b>602,335</b>      | <b>587,368</b>               | <b>8,228,437</b> | <b>(35,712)</b>          | <b>15,341,135</b>          | <b>7,836,021</b>          | <b>23,177,156</b> |

|  | Share capital    | Share premium  | Statutory reserve | Other Capital reserve | Share options reserve | Fair value reserve | Cash flow hedge reserve | Regulatory reserve# | Exchange fluctuation reserve | Retained profits | Treasury shares for ESOS | 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                   | RM '000           |
| At 1 July 2014   | 1,052,768        | 117,229        | 2,454,525         | 134,848               | 7,806                 | 287,257            | -                       | 10,266              | (12,347)                     | 7,447,552        | (25,422)                 | 11,474,482                 | 5,530,249                 | 17,004,731        |
| <b>Comprehensive income</b>  |                  |                |                   |                       |                       |                    |                         |                     |                              |                  |                          |                            |                           |                   |
| Net profit for the financial year  | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | 1,620,743        | -                        | 1,620,743                  | 839,634                   | 2,460,377         |
| Currency translation differences   | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | 476,612                      | -                | -                        | 476,612                    | 238,283                   | 714,895           |
| Share of other comprehensive loss of associates                                | -                | -              | -                 | -                     | -                     | 5,560              | -                       | -                   | -                            | -                | -                        | 5,560                      | 4,596                     | 10,156            |
| Net fair value changes in financial investments available-for-sale, net of tax | -                | -              | -                 | -                     | -                     | (122,408)          | -                       | -                   | -                            | -                | -                        | (122,408)                  | (4,352)                   | (126,760)         |
| Net fair value changes in cash flow hedge, net of tax                          | -                | -              | -                 | -                     | -                     | -                  | 106                     | -                   | -                            | -                | -                        | 106                        | 56                        | 162               |
| Total comprehensive income   | -                | -              | -                 | -                     | -                     | (116,848)          | 106                     | -                   | 476,612                      | 1,620,743        | -                        | 1,980,613                  | 1,078,217                 | 3,058,830         |
| <b>Transaction with owners</b>   |                  |                |                   |                       |                       |                    |                         |                     |                              |                  |                          |                            |                           |                   |
| Transfer to statutory reserves   | -                | -              | 510,374           | -                     | -                     | -                  | -                       | -                   | -                            | (510,374)        | -                        | -                          | -                         | -                 |
| Transfer to regulatory reserve   | -                | -              | -                 | -                     | -                     | -                  | -                       | 392,122             | -                            | (392,122)        | -                        | -                          | -                         | -                 |
| Allocation of other reserves to non-controlling interests                      | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | 17,427           | -                        | 17,427                     | 29,183                    | 46,610            |
| Dividends paid   | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | (399,656)        | -                        | (399,656)                  | -                         | (399,656)         |
| Non-controlling interests share of dividend                                    | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | -                        | -                          | (283,254)                 | (283,254)         |
| Non-controlling interests share of subsidiaries' treasury shares               | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | -                        | -                          | (1,118)                   | (1,118)           |
| Option charge arising from ESOS  | -                | -              | -                 | -                     | 2,108                 | -                  | -                       | -                   | -                            | -                | -                        | 2,108                      | -                         | 2,108             |
| Purchase of treasury shares  | -                | -              | -                 | -                     | -                     | -                  | -                       | -                   | -                            | -                | (2,695)                  | (2,695)                    | -                         | (2,695)           |
| Exercise of ESOS   | -                | -              | -                 | -                     | (9,914)               | -                  | -                       | -                   | -                            | 33,242           | 15,419                   | 38,747                     | -                         | 38,747            |
| Transfer to capital redemption reserve   | -                | -              | -                 | 20                    | -                     | -                  | -                       | -                   | -                            | (20)             | -                        | -                          | -                         | -                 |
| <b>At 30 June 2015</b>   | <b>1,052,768</b> | <b>117,229</b> | <b>2,964,899</b>  | <b>134,868</b>        | <b>-</b>              | <b>170,409</b>     | <b>106</b>              | <b>402,388</b>      | <b>464,265</b>               | <b>7,816,792</b> | <b>(12,698)</b>          | <b>13,111,026</b>          | <b>6,353,277</b>          | <b>19,464,303</b> |

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM591,090,000 (30 June 2015:RM391,143,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2015: RM11,245,000).

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

| <b><u>THE COMPANY</u></b>                        | <b>Share capital<br/>RM '000</b> | <b>Share premium<br/>RM '000</b> | <b>Other capital<br/>reserve<br/>RM '000</b> | <b>Share<br/>options<br/>reserve<br/>RM '000</b> | <b>Retained<br/>profits<br/>RM '000</b> | <b>Treasury<br/>shares<br/>for ESOS<br/>RM '000</b> | <b>Total<br/>equity<br/>RM '000</b> |
|--|----------------------------------|----------------------------------|--|--|---|---|-------------------------------------|
| At 1 July 2015                                   | 1,052,768                        | 117,229                          | 254,991                                      | -  | 12,742,372                              | (2)   | 14,167,358                          |
| Net loss for the financial year                  | -                                | -                                | -  | -  | 445,689                                 | -   | 445,689                             |
| Dividend paid                                    | -                                | -                                | -  | -  | (423,739)                               | -   | (423,739)                           |
| Subscription of rights shares                    | -                                | -                                | -  | -  | -                                       | (1)   | (1)                                 |
| Issue of share pursuant to rights issue exercise | 94,749                           | 1,002,262                        | -  | -  | -                                       | -   | 1,097,011                           |
| <b>At 30 June 2016</b>                           | <b>1,147,517</b>                 | <b>1,119,491</b>                 | <b>254,991</b>                               | <b>-</b>   | <b>12,764,322</b>                       | <b>(3)</b>  | <b>15,286,318</b>                   |

|                                   | <b>Share capital<br/>RM '000</b> | <b>Share premium<br/>RM '000</b> | <b>Other capital<br/>reserve<br/>RM '000</b> | <b>Share<br/>options<br/>reserve<br/>RM '000</b> | <b>Retained<br/>profits<br/>RM '000</b> | <b>Treasury<br/>shares<br/>for ESOS<br/>RM '000</b> | <b>Total<br/>equity<br/>RM '000</b> |
|-----------------------------------|----------------------------------|----------------------------------|--|--|---|---|-------------------------------------|
| At 1 July 2014                    | 1,052,768                        | 117,229                          | 254,991                                      | 4,638  | 12,332,614                              | (15,181)  | 13,747,059                          |
| Net profit for the financial year | -                                | -                                | -  | -  | 782,575                                 | -   | 782,575                             |
| Dividend paid                     | -                                | -                                | -  | -  | (399,656)                               | -   | (399,656)                           |
| Option charge arising from ESOS   | -                                | -                                | -  | 2,070  | -                                       | -   | 2,070                               |
| Exercise of ESOS                  | -                                | -                                | -  | (6,708)  | 26,839                                  | 15,179  | 35,310                              |
| <b>At 30 June 2015</b>            | <b>1,052,768</b>                 | <b>117,229</b>                   | <b>254,991</b>                               | <b>-</b>   | <b>12,742,372</b>                       | <b>(2)</b>  | <b>14,167,358</b>                   |

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

|  | The Group             |                       | The Company           |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 30/06/2016<br>RM '000 | 30/06/2015<br>RM '000 | 30/06/2016<br>RM '000 | 30/06/2015<br>RM '000 |
| Profit before taxation   | 2,565,038             | 3,023,285             | 450,647               | 787,047               |
| Adjustment for non-cash items  | 155,348               | 188,534               | (454,488)             | (795,227)             |
| Operating profit before working capital changes                                    | 2,720,386             | 3,211,819             | (3,841)               | (8,180)               |
| Income tax (paid)/refunded   | (636,093)             | (513,390)             | 3,924                 | (2,063)               |
| Interest received  | 5,017                 | 3,457                 | 5,017                 | 3,457                 |
| Changes in working capital   |                       |                       |                       |                       |
| Net changes in operating assets  | 2,422,273             | (15,242,738)          | (1,327)               | 49,900                |
| Net changes in operating liabilities   | 6,427,562             | 10,527,950            | (1,752)               | (6,104)               |
| Net cash generated/(used in) from operating activities                             | 10,939,145            | (2,012,902)           | 2,021                 | 37,010                |
| <b>Cash flow from investing activities</b>   |                       |                       |                       |                       |
| Net purchases of financial investments available-for-sale                          | (5,972,198)           | (3,136,664)           | -                     | -                     |
| Net purchases of financial investments held-to-maturity                            | (1,959,611)           | (1,090,356)           | -                     | -                     |
| Interest received on financial investments available-for-sale and held-to-maturity | 874,101               | 732,098               | -                     | -                     |
| Purchase of intangible assets  | (25,223)              | (49,672)              | (1)                   | (137)                 |
| Purchase of property and equipment   | (350,598)             | (200,639)             | (10)                  | (1,142)               |
| Proceeds from disposal of property and equipment                                   | 3,313                 | 9,312                 | -                     | 320                   |
| Dividends received from other investments  | 233,667               | 181,235               | 3,031                 | 699                   |
| Dividends received from subsidiaries   | -                     | -                     | 513,534               | 845,482               |
| Dividends received from associated companies                                       | 127,871               | 126,860               | -                     | -                     |
| Dividends received from joint ventures companies                                   | 3,755                 | -                     | -                     | -                     |
| Subscription of shares in joint venture  | -                     | (1,653)               | -                     | -                     |
| Subscription of ordinary shares in subsidiary company                              | -                     | -                     | -                     | (11,352)              |
| Subscription of redeemable preference shares                                       | -                     | -                     | (15,684)              | (52,600)              |
| Subscription of right issue in subsidiary company                                  | -                     | -                     | (1,903,501)           | -                     |
| Proceeds from redemption of redeemable preference shares                           | -                     | -                     | 1,920                 | 40,057                |
| Net cash (used in)/generated from investing activities                             | (7,064,923)           | (3,429,479)           | (1,400,711)           | 821,327               |
| <b>Cash flow from financing activities</b>   |                       |                       |                       |                       |
| Dividends paid to equity holders of the Company                                    | (423,739)             | (399,656)             | (423,739)             | (399,656)             |
| Dividends paid to non-controlling interests  | (267,593)             | (283,254)             | -                     | -                     |
| Purchase of treasury shares  | (19,612)              | (2,695)               | -                     | -                     |
| Cash received from ESOS exercised  | -                     | 38,747                | -                     | 35,310                |
| Drawdown/(Repayment) of revolving credit   | 305,000               | (65,000)              | 305,000               | (65,000)              |
| Issuance/(Redemption) of medium term notes and commercial paper                    | 375,000               | (2,410,000)           | 375,000               | (360,000)             |
| Repayment of senior bonds  | (1,241,100)           | -                     | -                     | -                     |
| Repayment of non-innovative Tier 1 stapled securities                              | (1,400,000)           | -                     | -                     | -                     |
| Drawdown of term loans   | 120,000               | 240,000               | 120,000               | 240,000               |
| Repayment of term loans  | (25,000)              | (265,000)             | (25,000)              | (265,000)             |
| Repayment of subordinated obligations  | (2,185,000)           | (200,000)             | -                     | -                     |
| Net proceeds from rights issue   | 1,093,609             | -                     | 1,097,010             | -                     |
| Non-controlling interests subscription of rights shares                            | 1,004,625             | -                     | -                     | -                     |
| Interest paid on subordinated obligations  | (188,840)             | (224,517)             | -                     | -                     |
| Interest paid on borrowings  | (129,859)             | (196,661)             | (48,306)              | (43,428)              |
| Interest paid on non-innovative Tier 1 stapled securities                          | (70,893)              | (70,700)              | -                     | -                     |
| Interest paid on innovative Tier 1 capital securities                              | (31,143)              | (29,137)              | -                     | -                     |
| Net cash used in financing activities  | (3,084,545)           | (3,867,873)           | 1,399,965             | (857,774)             |
| <b>Changes in cash and cash equivalents</b>  | <b>789,677</b>        | <b>(9,310,254)</b>    | <b>1,275</b>          | <b>563</b>            |
| <b>Effect of change in foreign exchange rate</b>                                   | <b>176,721</b>        | <b>688,188</b>        | <b>-</b>              | <b>-</b>              |
| <b>Cash and cash equivalents as at 1 July</b>                                      | <b>8,462,294</b>      | <b>17,084,360</b>     | <b>7,445</b>          | <b>6,882</b>          |
| <b>Cash and cash equivalents as at 30 June</b>                                     | <b>9,428,692</b>      | <b>8,462,294</b>      | <b>8,720</b>          | <b>7,445</b>          |
| <b>Analysis of cash and cash equivalent</b>  |                       |                       |                       |                       |
| <b>Cash and short terms funds</b>  | <b>9,429,592</b>      | <b>8,463,194</b>      | <b>9,620</b>          | <b>8,345</b>          |
| <b>Less: restricted cash</b>   | <b>(900)</b>          | <b>(900)</b>          | <b>(900)</b>          | <b>(900)</b>          |
|  | <b>9,428,692</b>      | <b>8,462,294</b>      | <b>8,720</b>          | <b>7,445</b>          |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2016 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of 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 2015. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2015.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2015.

(i) Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the BNM revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2015**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2015.

**3. Seasonality or cyclicity of operations**

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

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

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

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

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current 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 2016 other than as mentioned below.

a) Share issuance

During the year ended 30 June 2016, the Company increased its issued and paid-up capital from 1,052,767,789 to 1,147,516,890 via issuance of 94,749,101 new ordinary shares of RM1.00 each on the basis of 9 Rights Share for every 100 existing HLFG's shares held on 6 November 2015 at an issue price of RM11.60 per rights share ("Rights Issue"). The Rights Issue was completed on 7 December 2015.

b) Purchase of shares pursuant to Executive Share Option Scheme ("ESOS") and Executive Share Scheme ("ESS")

As at 30 June 2016, there is no outstanding options to be vested and exercised.

Pursuant to the Rights Issue exercise, the trust had subscribed for 92 shares at issue price of RM11.60. As at 30 June 2016, the total number of Treasury Shares for ESOS is 500 at an average price of RM6.31 per share and the total consideration paid, including transaction costs was RM3,155.

During the financial year ended 30 June 2016, the insurance subsidiary companies purchased 1,389,200 units of shares for RM19,612,065 and no shares were exercised pursuant to the Company's ESOS. Pursuant to the Rights Issue exercise, the trust had subscribed for 293,208 shares at issue price of RM11.60.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 June 2016 was 3,963,900 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM35,709,188 which have been classified as treasury shares for ESOS at the Group level.

c) Repayment of debt and equity securities

On 10 August 2015, Hong Leong Bank ("HLB") had fully redeemed the RM700.0 million nominal value bearing coupon rate of 4.85% per annum Tier 2 Subordinated Notes issued by the HLB on 10 August 2010.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value subordinated medium term notes bearing coupon rate of 4.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to the Bank on 1 July 2011.

On 17 March 2016, HLB had fully redeemed the USD300.0 million Senior Bonds on its maturity date.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**6. Issuance and repayment of debt and equity securities (continued)**

c) Repayment of debt and equity securities (continued)

On 5 May 2016, HLB had fully redeemed the RM1.0 billion nominal value of Tier 2 Subordinated Notes bearing coupon rate of 4.35% per annum issued by HLB on 5 May 2011.

On 5 May 2016, HLB had fully redeemed the RM1.4 billion Non-Innovative Tier 1 Stapled Securities bearing coupon rate of 5.05% per annum issued by HLB on 5 May 2011.

**7. Dividends paid**

Single-tier interim dividend of 13.0 sen per share amounting to RM136.9 million was paid on 23 December 2015.

Second interim single tier dividend of 25.0 sen per share amounting to RM286.8 million was paid on 28 June 2016.

**8. Segmental 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.

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.

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

**Business segments**

The Group comprises the following main business segments:

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**8. Segmental reporting (continued)**

| <b>The Group<br/>30 June 2016</b>           | <b>Commercial<br/>Banking<br/>RM'000</b> | <b>Investment<br/>Banking<br/>RM'000</b> | <b>Insurance<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---|--|--|-----------------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenue for the year ended</b>           |  |  |                             |                          |                                |                                |
| External revenue                            | 4,153,353                                | 168,337                                  | 261,531                     | (39,893)                 | -                              | 4,543,328                      |
| Intersegment revenue                        | 24,509                                   | 4,558                                    | 6,055                       | 529,151                  | (564,273)                      | -                              |
|   | <u>4,177,862</u>                         | <u>172,895</u>                           | <u>267,586</u>              | <u>489,258</u>           | <u>(564,273)</u>               | <u>4,543,328</u>               |
| <b>Results for the year ended</b>           |  |  |                             |                          |                                |                                |
| Segment results                             | 2,048,296                                | 64,500                                   | 128,626                     | 443,594                  | (522,086)                      | 2,162,930                      |
| Share of results of associated companies    |  |  |                             |                          |                                | 381,057                        |
| Share of results of joint ventures          |  |  |                             |                          |                                | 21,051                         |
| Profit before taxation                      |  |  |                             |                          |                                | <u>2,565,038</u>               |
| Taxation                                    |  |  |                             |                          |                                | (501,494)                      |
| Net profit for the financial year           |  |  |                             |                          |                                | <u>2,063,544</u>               |
| Non-controlling interests                   |  |  |                             |                          |                                | (704,649)                      |
| Profit attributable to owners of the parent |  |  |                             |                          |                                | <u><u>1,358,895</u></u>        |
| <b>Other information</b>                    |  |  |                             |                          |                                |                                |
| Segment assets                              | 189,824,259                              | 4,056,679                                | 16,351,304                  | 17,112,723               | (16,870,431)                   | <u><u>210,474,534</u></u>      |
| Segment liabilities                         | 168,707,111                              | 3,356,319                                | 13,808,691                  | 1,654,040                | (228,783)                      | <u><u>187,297,378</u></u>      |

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**8. Segmental reporting (continued)**

| <b>The Group</b><br><b>30 June 2015</b>     | <b>Commercial</b><br><b>Banking</b><br><b>RM'000</b> | <b>Investment</b><br><b>Banking</b><br><b>RM'000</b> | <b>Insurance</b><br><b>RM'000</b> | <b>Others</b><br><b>RM'000</b> | <b>Eliminations</b><br><b>RM'000</b> | <b>Consolidated</b><br><b>RM'000</b> |
|---|--|--|-----------------------------------|--------------------------------|--------------------------------------|--------------------------------------|
| <b>Revenue for the year ended</b>           |  |  |                                   |                                |                                      |                                      |
| External revenue                            | 4,016,311  | 181,481  | 314,395                           | (21,243)                       | -                                    | 4,490,944                            |
| Intersegment revenue                        | 50,637   | 1,843  | 5,486                             | 861,235                        | (919,201)                            | -                                    |
|   | <u>4,066,948</u>                                     | <u>183,324</u>                                       | <u>319,881</u>                    | <u>839,992</u>                 | <u>(919,201)</u>                     | <u>4,490,944</u>                     |
| <b>Results for the year ended</b>           |  |  |                                   |                                |                                      |                                      |
| Segment results                             | 2,328,480  | 78,508   | 225,289                           | 815,166                        | (901,515)                            | 2,545,928                            |
| Share of results of associated companies    |  |  |                                   |                                |                                      | 463,297                              |
| Share of results of joint ventures          |  |  |                                   |                                |                                      | 14,060                               |
| Profit before taxation                      |  |  |                                   |                                |                                      | <u>3,023,285</u>                     |
| Taxation                                    |  |  |                                   |                                |                                      | (562,908)                            |
| Net profit for the financial year           |  |  |                                   |                                |                                      | <u>2,460,377</u>                     |
| Non-controlling interests                   |  |  |                                   |                                |                                      | (839,634)                            |
| Profit attributable to owners of the parent |  |  |                                   |                                |                                      | <u>1,620,743</u>                     |
| <b>Other information</b>                    |  |  |                                   |                                |                                      |                                      |
| Segment assets                              | 184,019,735  | 3,621,963  | 14,618,735                        | 15,202,651                     | (15,022,440)                         | <u>202,440,644</u>                   |
| Segment liabilities                         | 167,230,143  | 2,974,065  | 12,241,548                        | 872,517                        | (341,932)                            | <u>182,976,341</u>                   |

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**9. Financial assets held-for-trading**

|   | <b>The Group</b>        |                         |
|---|-------------------------|-------------------------|
|   | <b>As at</b>            | <b>As at</b>            |
|   | <b>30/06/2016</b>       | <b>30/06/2015</b>       |
|   | <b>RM '000</b>          | <b>RM '000</b>          |
| Money market instruments:                       |                         |                         |
| Government treasury bills                       | 119,332                 | 78,632                  |
| Malaysian Government securities                 | 239,083                 | 120,509                 |
| Negotiable instruments of deposit               | 4,848,396               | 5,485,337               |
| Bankers' acceptances and Islamic accepted bills | -                       | 457,179                 |
| Bank Negara Malaysia bills                      | -                       | 383,325                 |
| Malaysian Government investment certificates    | 320,952                 | 609,725                 |
| Cagamas bonds                                   | 55,474                  | 36,450                  |
| Other government securities                     | 158,666                 | 33,035                  |
|   | <u>5,741,903</u>        | <u>7,204,192</u>        |
| Quoted securities:                              |                         |                         |
| Shares in Malaysia                              | 478,460                 | 515,312                 |
| Shares outside Malaysia                         | 66,899                  | 92,789                  |
| Foreign currency bonds in Malaysia              | 488,718                 | 375,822                 |
| Unit trust investments                          | 241,851                 | 189,412                 |
| Warrants quoted in Malaysia                     | -                       | 129                     |
|   | <u>1,275,928</u>        | <u>1,173,464</u>        |
| Unquoted securities:                            |                         |                         |
| Foreign currency bonds in Malaysia              | 53,001                  | -                       |
| Foreign currency bonds outside Malaysia         | 134,406                 | 65,864                  |
| Corporate bonds and sukuk                       | 1,319,435               | 795,284                 |
|   | <u>1,506,842</u>        | <u>861,148</u>          |
| Total financial assets held-for-trading         | <u><u>8,524,673</u></u> | <u><u>9,238,804</u></u> |

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**10. Financial investments available-for-sale**

|  | <b>The Group</b>  |                   |
|--|-------------------|-------------------|
|  | <b>As at</b>      | <b>As at</b>      |
|  | <b>30/06/2016</b> | <b>30/06/2015</b> |
|  | <b>RM '000</b>    | <b>RM '000</b>    |
| Money market instruments:                      |                   |                   |
| Government treasury bills                      | 69,206            | 168,553           |
| Malaysian Government securities                | 1,040,565         | 486,964           |
| Malaysian Government investment certificates   | 3,547,351         | 3,541,575         |
| Khazanah bonds                                 | 334,686           | 345,140           |
| Cagamas bonds                                  | 1,019,398         | 905,342           |
| Other government securities                    | 1,790,368         | 1,580,814         |
|  | <u>7,801,574</u>  | <u>7,028,388</u>  |
| Quoted securities:                             |                   |                   |
| Shares in Malaysia                             | 1,344,786         | 1,247,823         |
| Shares outside Malaysia                        | 135,991           | 239,995           |
| Foreign currency bonds in Malaysia             | 3,606,238         | 4,380,452         |
| Foreign currency bonds outside Malaysia        | 1,954,369         | 1,452,826         |
| Unit trust investments                         | 7,079,657         | 3,591,062         |
|  | <u>14,121,041</u> | <u>10,912,158</u> |
| Unquoted securities :                          |                   |                   |
| Shares in Malaysia                             | 425,319           | 393,145           |
| Shares outside Malaysia                        | 4,402             | 4,134             |
| Foreign currency bonds in Malaysia             | 1,125,156         | 358,364           |
| Foreign currency bonds outside Malaysia        | 468,925           | 419,344           |
| Investment-linked funds                        | 300               | 300               |
| Malaysian Government sukuk                     | 820,522           | -                 |
| Corporate bonds and sukuk                      | 10,999,853        | 10,507,224        |
|  | <u>13,844,477</u> | <u>11,682,511</u> |
| Total financial investments available-for-sale | <u>35,767,092</u> | <u>29,623,057</u> |

**11. Financial investments held-to-maturity**

|  | <b>The Group</b>  |                   |
|--|-------------------|-------------------|
|  | <b>As at</b>      | <b>As at</b>      |
|  | <b>30/06/2016</b> | <b>30/06/2015</b> |
|  | <b>RM '000</b>    | <b>RM '000</b>    |
| Money market instruments:                    |                   |                   |
| Government treasury bills                    | 54,922            | -                 |
| Malaysian Government securities              | 3,403,858         | 3,003,596         |
| Malaysian Government investment certificates | 7,731,720         | 6,549,704         |
| Negotiable instruments of deposit            | -                 | 2,338             |
| Cagamas bonds                                | 30,356            | 30,454            |
| Other Government securities                  | 395,513           | 335,159           |
|  | <u>11,616,369</u> | <u>9,921,251</u>  |
| Unquoted securities:                         |                   |                   |
| Loan stocks                                  | 48                | 49                |
| Malaysian Government sukuk                   | 470,220           | -                 |
| Corporate bonds and sukuk                    | 667,159           | 717,665           |
| Foreign currency bonds in Malaysia           | -                 | 98,029            |
| Foreign currency bonds outside Malaysia      | 125,456           | 150,358           |
| Unquoted bonds                               | -                 | 486               |
| Investment in preference shares              | 32,066            | 54,000            |
|  | <u>1,294,949</u>  | <u>1,020,587</u>  |
| Total financial investments held-to-maturity | <u>12,911,318</u> | <u>10,941,838</u> |

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**12. Loans, advances and financing**

|  | The Group                      |                                |
|--|--------------------------------|--------------------------------|
|  | As at<br>30/06/2016<br>RM '000 | As at<br>30/06/2015<br>RM '000 |
| Overdrafts   | 3,857,485                      | 4,005,025                      |
| Term loans:  |                                |                                |
| - Housing and shop loans/financing                                       | 60,462,347                     | 53,828,770                     |
| - Syndicated term loan/financing   | 9,339,212                      | 9,038,647                      |
| - Hire purchase receivables  | 18,682,098                     | 18,099,246                     |
| - Other term loans/financing   | 8,605,184                      | 9,002,712                      |
| Credit/charge card receivables   | 3,755,348                      | 3,889,314                      |
| Bills receivables  | 1,107,690                      | 1,166,833                      |
| Trust receipts   | 381,531                        | 322,780                        |
| Claims on customers under acceptance credits                             | 7,439,144                      | 7,369,680                      |
| Block discounting  | -                              | 14                             |
| Revolving credits  | 6,757,003                      | 6,549,079                      |
| Policy and premium loans   | 614,679                        | 661,576                        |
| Staff loans/financing  | 164,914                        | 167,557                        |
| Other loans/financing  | 425,856                        | 305,619                        |
| Gross loans, advances and financing                                      | <u>121,592,491</u>             | <u>114,406,852</u>             |
| Unamortised fair value changes arising from terminated fair value hedges | (784)                          | (2,188)                        |
| Allowance for impaired loans, advances and financing:                    |                                |                                |
| - collective assessment allowance  | (856,971)                      | (969,925)                      |
| - individual assessment allowance  | (289,844)                      | (323,071)                      |
| Total net loans, advances and financing                                  | <u>120,444,892</u>             | <u>113,111,668</u>             |

**(a) By type of customer**

|  | The Group                      |                                |
|--|--------------------------------|--------------------------------|
|  | As at<br>30/06/2016<br>RM '000 | As at<br>30/06/2015<br>RM '000 |
| Domestic financial institutions          | 47                             | -                              |
| Domestic non-bank financial institutions | 600,249                        | 638,549                        |
| Domestic business enterprises            |                                |                                |
| - small and medium enterprises           | 19,246,622                     | 17,816,923                     |
| - others                                 | 17,099,287                     | 18,531,751                     |
| Government and statutory bodies          | 24,804                         | 24,448                         |
| Individuals                              | 77,670,558                     | 71,743,193                     |
| Other domestic entities                  | 75,714                         | 171,386                        |
| Foreign entities                         | 6,875,210                      | 5,480,602                      |
| Gross loans, advances and financing      | <u>121,592,491</u>             | <u>114,406,852</u>             |

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

|                                     | The Group                      |                                |
|-------------------------------------|--------------------------------|--------------------------------|
|                                     | As at<br>30/06/2016<br>RM '000 | As at<br>30/06/2015<br>RM '000 |
| Fixed rate                          |                                |                                |
| - Housing and shop loans/financing  | 2,604,404                      | 2,738,272                      |
| - Hire purchase receivables         | 18,200,640                     | 17,779,388                     |
| - Other fixed rate loan/financing   | 8,083,838                      | 7,799,128                      |
| Variable rate                       |                                |                                |
| - Base lending rate plus            | 75,993,221                     | 69,749,552                     |
| - Cost plus                         | 16,322,812                     | 16,021,109                     |
| - Other variables rates             | 387,576                        | 319,403                        |
| Gross loans, advances and financing | <u>121,592,491</u>             | <u>114,406,852</u>             |



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**12. Loans, advances and financing (continued)**

**(c) By economic purpose**

|  | <b>The Group</b>                        |   |
|--|---|---|
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Purchase of securities                                 | 856,080                                 | 927,652                                 |
| Purchase of transport vehicles                         | 18,445,657                              | 18,020,608                              |
| Purchase of landed properties                          |   |   |
| - residential  | 51,510,277                              | 45,307,229                              |
| - non-residential                                      | 14,986,782                              | 14,231,669                              |
| Purchase of fixed assets (excluding landed properties) | 434,041                                 | 462,979                                 |
| Personal use   | 3,766,429                               | 3,523,573                               |
| Credit card  | 3,755,348                               | 3,889,314                               |
| Purchase of consumer durables                          | 387                                     | 418                                     |
| Construction   | 1,386,003                               | 1,257,882                               |
| Mergers and acquisition                                | 233,364                                 | 258,988                                 |
| Working capital  | 23,529,783                              | 23,536,346                              |
| Other purpose  | 2,688,340                               | 2,990,194                               |
| Gross loans, advances and financing                    | <u>121,592,491</u>                      | <u>114,406,852</u>                      |

**(d) By geographical distribution**

|                                     | <b>The Group</b>                        |   |
|-------------------------------------|---|---|
|                                     | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Malaysia                            | 115,965,819                             | 110,271,571                             |
| Singapore                           | 4,678,961                               | 3,529,821                               |
| Hong Kong                           | 34,168                                  | 20,063                                  |
| Vietnam                             | 387,576                                 | 319,403                                 |
| Cambodia                            | 525,967                                 | 265,994                                 |
| Gross loans, advances and financing | <u>121,592,491</u>                      | <u>114,406,852</u>                      |

**(e) By residual contractual maturity**

|                                     | <b>The Group</b>                        |   |
|-------------------------------------|---|---|
|                                     | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Within one year                     | 27,848,217                              | 29,502,698                              |
| One year to less than three years   | 5,434,573                               | 7,851,837                               |
| Three years to less than five years | 10,710,736                              | 10,277,792                              |
| Five years and more                 | 77,598,965                              | 66,774,525                              |
| Gross loans, advances and financing | <u>121,592,491</u>                      | <u>114,406,852</u>                      |

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

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

|  | The Group  |            |
|--|------------|------------|
|  | As at      | As at      |
|  | 30/06/2016 | 30/06/2015 |
|  | RM '000    | RM '000    |
| Purchase of securities                                 | 225        | 235        |
| Purchase of transport vehicles                         | 145,528    | 184,180    |
| Purchase of landed properties                          |            |            |
| - residential  | 233,566    | 207,744    |
| - non-residential                                      | 99,145     | 46,190     |
| Purchase of fixed assets (excluding landed properties) | 22,872     | 34,188     |
| Personal use   | 36,909     | 34,714     |
| Credit card  | 44,308     | 42,907     |
| Purchase of consumer durables                          | -          | 4          |
| Construction   | 9,138      | 4,114      |
| Working capital  | 346,555    | 365,444    |
| Other purpose  | 18,907     | 28,863     |
| Gross impaired loans, advances and financing           | 957,153    | 948,583    |

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

|  | The Group  |            |
|--|------------|------------|
|  | As at      | As at      |
|  | 30/06/2016 | 30/06/2015 |
|  | RM '000    | RM '000    |
| Malaysia                                     | 943,207    | 935,858    |
| Singapore                                    | 5,601      | -          |
| Vietnam                                      | 8,345      | 12,725     |
| Gross impaired loans, advances and financing | 957,153    | 948,583    |

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

|   | The Group  |            |
|---|------------|------------|
|   | As at      | As at      |
|   | 30/06/2016 | 30/06/2015 |
|   | RM '000    | RM '000    |
| As at beginning of the financial year                             | 948,583    | 1,232,588  |
| Impaired during the financial year                                | 1,572,187  | 1,525,362  |
| Performing during the financial year                              | (798,443)  | (792,443)  |
| Amount written back in respect of recoveries                      | (338,880)  | (480,823)  |
| Amount written off  | (426,490)  | (541,798)  |
| Exchange differences  | 196        | 5,697      |
| As at end of the financial year                                   | 957,153    | 948,583    |
| Gross impaired loan as a % of gross loans, advances and financing | 0.8%       | 0.8%       |

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**12. Loans, advances and financing (continued)**

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

|  | <b>The Group</b>                        |   |
|--|---|---|
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| <u>Collective assessment allowance</u>   |   |   |
| As at beginning of the financial year  | 969,925                                 | 1,077,911                               |
| Net allowance made during the year   | 263,678                                 | 213,042                                 |
| Amount transferred to individual assessment allowance  | (109)                                   | (94)                                    |
| Amount written off   | (365,615)                               | (310,003)                               |
| Unwinding income   | (11,465)                                | (12,129)                                |
| Exchange differences   | 557                                     | 1,198                                   |
| As at end of the financial year  | <u>856,971</u>                          | <u>969,925</u>                          |
| Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance | <u>1.2%</u>                             | <u>1.2%</u>                             |
| <u>Individual assessment allowance</u>   |   |   |
| As at beginning of the financial year  | 323,071                                 | 511,647                                 |
| Net allowance made during the year   | 57,180                                  | 80,769                                  |
| Amount transferred from collective assessment allowance  | 109                                     | 94                                      |
| Amount transfer to allowance for impairment losses on securities   | (2,566)                                 | (5,274)                                 |
| Amount written back in respect of recoveries   | (61,626)                                | (130,671)                               |
| Amount written off   | (22,014)                                | (132,862)                               |
| Unwinding income   | (4,404)                                 | (5,360)                                 |
| Exchange differences   | 94                                      | 4,728                                   |
| As at end of the financial year  | <u>289,844</u>                          | <u>323,071</u>                          |

**13. Other receivables**

|  | <b>The Group</b>                        |   |
|--|---|---|
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Investment properties                          | 1,940                                   | 1,848                                   |
| Foreclosed properties                          | 46                                      | 1,023                                   |
| Sundry debtors and other prepayments           | 337,397                                 | 268,330                                 |
| Treasury related receivable                    | 629,659                                 | 429,244                                 |
| Fee income receivable                          | 7,743                                   | 7,123                                   |
| Collateral pledged for derivative transactions | 684,890                                 | 518,448                                 |
| Other receivables                              | 157,093                                 | 191,665                                 |
|  | <u>1,818,768</u>                        | <u>1,417,681</u>                        |
|  | <b>The Company</b>                      |   |
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Amount due from subsidiary companies           | 48                                      | 179                                     |
| Sundry debtors and other prepayments           | 410                                     | 381                                     |
| Other receivables                              | 229                                     | 228                                     |
|  | <u>687</u>                              | <u>788</u>                              |

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**14. Deposits from customers**

**(a) By type of deposits**

|   | The Group          |                    |
|---|--------------------|--------------------|
|   | As at              | As at              |
|   | 30/06/2016         | 30/06/2015         |
|   | RM '000            | RM '000            |
| Fixed deposits  | 85,737,639         | 78,620,058         |
| Short-term placement  | 16,429,616         | 13,031,197         |
| Negotiable instruments of deposits  | 7,816,740          | 11,257,419         |
|   | <u>109,983,995</u> | <u>102,908,674</u> |
| Demand deposits   | 20,559,745         | 20,030,167         |
| Savings deposits  | 16,581,412         | 15,823,857         |
| Others  | 943,462            | 640,821            |
| Gross deposits from customers   | <u>148,068,614</u> | <u>139,403,519</u> |
| <b>At fair value through profit and loss</b>                                      |                    |                    |
| Collable range accrual notes  | 1,442,912          | 1,621,641          |
| Fair value changes arising from designation at fair value through profit or loss* | (20,993)           | (69,695)           |
| Total net deposits from customers   | <u>149,490,533</u> | <u>140,955,465</u> |

\*Note:

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

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

**(b) By type of customers**

|                                 | The Group          |                    |
|---------------------------------|--------------------|--------------------|
|                                 | As at              | As at              |
|                                 | 30/06/2016         | 30/06/2015         |
|                                 | RM '000            | RM '000            |
| Government and statutory bodies | 2,891,538          | 3,573,261          |
| Business enterprises            | 62,776,728         | 65,130,000         |
| Individuals                     | 81,366,305         | 70,176,437         |
| Others                          | 2,455,962          | 2,075,767          |
| Gross deposits from customers   | <u>149,490,533</u> | <u>140,955,465</u> |

**(c) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:**

|                                  | The Group          |                    |
|----------------------------------|--------------------|--------------------|
|                                  | As at              | As at              |
|                                  | 30/06/2016         | 30/06/2015         |
|                                  | RM '000            | RM '000            |
| Due within six months            | 90,130,671         | 79,310,112         |
| More than six months to one year | 16,791,342         | 21,105,271         |
| More than one year to five years | 3,044,069          | 2,493,291          |
| More than five years             | 17,913             | -                  |
|                                  | <u>109,983,995</u> | <u>102,908,674</u> |

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

|   | <b>The Group</b>  |                   |
|---|-------------------|-------------------|
|   | <b>As at</b>      | <b>As at</b>      |
|   | <b>30/06/2016</b> | <b>30/06/2015</b> |
|   | <b>RM '000</b>    | <b>RM '000</b>    |
| Licensed banks and investment banks   | 6,842,865         | 7,007,161         |
| Licensed Islamic banks  | -                 | 49,004            |
| Other financial institutions  | 1,263,135         | 1,887,457         |
|   | <u>8,106,000</u>  | <u>8,943,622</u>  |
| <br>  |                   |                   |
| The maturity structure of deposits and placements of banks<br>and other financial institutions: |                   |                   |
| - One year or less (short term)   | <u>8,106,000</u>  | <u>8,943,622</u>  |

**16. Payables and other liabilities**

|  | <b>The Group</b>  |                   |
|--|-------------------|-------------------|
|  | <b>As at</b>      | <b>As at</b>      |
|  | <b>30/06/2016</b> | <b>30/06/2015</b> |
|  | <b>RM '000</b>    | <b>RM '000</b>    |
| Trade payables   | 1,964,896         | 1,607,852         |
| Loan advance payment   | 2,641,139         | 2,268,769         |
| Post employment benefits obligations - defined contribution plan | 1,774             | 1,695             |
| Treasury and cheque clearing                                     | 163,202           | 589,704           |
| Treasury related payables  | 189,958           | 174,206           |
| Sundry creditors and accruals                                    | 560,146           | 564,022           |
| Provision for bonus and staff related expenses                   | 151,062           | 144,710           |
| Others   | 565,645           | 445,736           |
|  | <u>6,237,822</u>  | <u>5,796,694</u>  |

|  | <b>The Company</b> |                   |
|--|--------------------|-------------------|
|  | <b>As at</b>       | <b>As at</b>      |
|  | <b>30/06/2016</b>  | <b>30/06/2015</b> |
|  | <b>RM '000</b>     | <b>RM '000</b>    |
| Sundry creditors and accruals                                    | 1,462              | 2,106             |
| Provision for bonus and staff related expenses                   | 7,846              | 8,956             |
| Post employment benefits obligations - defined contribution plan | 43                 | 41                |
|  | <u>9,351</u>       | <u>11,103</u>     |

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**17. Interest income**

|   | The Group                              |  | The Group                        |                                  |
|---|--|--|----------------------------------|----------------------------------|
|   | Current                                | Last year                              | Current year                     | Last year                        |
|   | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| Loans, advances and financing                                       | 1,172,167                              | 1,135,344                              | 4,665,092                        | 4,435,221                        |
| Money at call and deposit placements<br>with financial institutions | 39,952                                 | 45,816                                 | 193,360                          | 275,001                          |
| Securities purchased under resale agreements                        | 27,292                                 | 91,338                                 | 145,767                          | 218,068                          |
| Financial assets held-for-trading                                   | 127,203                                | 122,924                                | 554,361                          | 576,911                          |
| Financial investments available-for-sale                            | 144,188                                | 108,112                                | 548,827                          | 458,054                          |
| Financial investments held-to-maturity                              | 87,035                                 | 71,236                                 | 325,274                          | 274,044                          |
| Others  | 4,212                                  | 3,344                                  | 15,802                           | 13,120                           |
|   | <u>1,602,049</u>                       | <u>1,578,114</u>                       | <u>6,448,483</u>                 | <u>6,250,419</u>                 |
| Of which:   |  |  |                                  |                                  |
| Interest income earned on impaired loans,<br>advances and financing | 13,112                                 | 13,541                                 | 49,997                           | 58,180                           |

|   | The Company                            |  | The Company                      |                                  |
|---|--|--|----------------------------------|----------------------------------|
|   | Current                                | Last year                              | Current year                     | Last year                        |
|   | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| Money at call and deposit placements<br>with financial institutions | 381                                    | 347                                    | 5,017                            | 1,553                            |
| Others  | -                                      | -                                      | -                                | 1,904                            |
|   | <u>381</u>                             | <u>347</u>                             | <u>5,017</u>                     | <u>3,457</u>                     |

**18. Interest expense**

|  | The Group                              |  | The Group                        |                                  |
|--|--|--|----------------------------------|----------------------------------|
|  | Current                                | Last year                              | Current year                     | Last year                        |
|  | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| Deposits and placements of banks<br>and other financial institutions | 22,638                                 | 19,854                                 | 96,216                           | 83,275                           |
| Deposits from customers  | 764,140                                | 721,263                                | 3,000,705                        | 2,744,262                        |
| Short term placements  | 84,365                                 | 70,499                                 | 307,746                          | 232,673                          |
| Borrowings   | 20,928                                 | 24,671                                 | 126,718                          | 140,938                          |
| Subordinated obligations   | 33,376                                 | 55,327                                 | 171,079                          | 226,515                          |
| Non-innovative Tier 1 stapled securities                             | 6,588                                  | 17,738                                 | 60,024                           | 71,317                           |
| Innovative Tier 1 capital securities                                 | 8,312                                  | 7,876                                  | 32,652                           | 30,516                           |
| Others   | 2,721                                  | 2,976                                  | 12,401                           | 11,228                           |
|  | <u>943,068</u>                         | <u>920,204</u>                         | <u>3,807,541</u>                 | <u>3,540,724</u>                 |
|  | The Company                            |  | The Company                      |                                  |
|  | Current                                | Last year                              | Current year                     | Last year                        |
|  | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| Borrowings   | 14,440                                 | 7,337                                  | 53,786                           | 41,980                           |
| Others   | 108                                    | 136                                    | 571                              | 773                              |
|  | <u>14,548</u>                          | <u>7,473</u>                           | <u>54,357</u>                    | <u>42,753</u>                    |

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**19. Non-Interest Income**

|   | The Group   |   | The Group  |   |
|---|---|---|--|---|
|   | Current<br>quarter ended<br>30/06/2016<br>RM '000 | Last year<br>quarter ended<br>30/06/2015<br>RM '000 | Current year<br>to date<br>30/06/2016<br>RM '000 | Last year<br>to date<br>30/06/2015<br>RM '000 |
| Net income from insurance business  | 88,008  | 144,973   | 214,705  | 248,361                                       |
| Net brokerage and commissions<br>from stockbroking business                     | 12,871  | 14,480  | 58,165   | 58,387  |
| Net unit trust and asset management income                                      | 5,550   | 4,388   | 20,750   | 16,299  |
| Fee income:   |   |   |  |   |
| Commissions   | 34,898  | 38,237  | 139,557  | 154,417                                       |
| Service charges and fees  | 12,825  | 11,566  | 51,963   | 48,501  |
| Guarantee fees  | 4,457   | 4,804   | 17,219   | 20,120  |
| Credit card related fees  | 71,951  | 54,492  | 256,917  | 234,464                                       |
| Corporate advisory fees   | 1,961   | 2,484   | 7,212  | 14,183  |
| Commitment fees   | 8,376   | 8,745   | 34,624   | 35,174  |
| Fee on loans, advances and financing  | 14,504  | 8,667   | 56,944   | 53,896  |
| Placement fees  | 1,553   | 2,445   | 9,001  | 8,544   |
| Arranger fees   | 4,780   | 2,866   | 15,428   | 8,849   |
| Other fee income  | 10,668  | 30,325  | 80,057   | 88,468  |
|   | <u>165,973</u>                                    | <u>164,631</u>                                      | <u>668,922</u>                                   | <u>666,616</u>                                |
| Gain/(loss) arising from sale of financial assets:                              |   |   |  |   |
| Net gain from sale of financial assets<br>held-for-trading                      | 27,649  | 12,620  | 54,224   | 58,341  |
| Net gain from sale of financial investments<br>available-for-sale               | 63,743  | 28,224  | 103,435  | 123,980                                       |
| Net gain from redemption of financial<br>investments held-to-maturity           | -   | 20  | 31   | 350   |
| Net gain/(loss) from sale of derivatives<br>financial instruments               | 21,440  | 12,038  | (19,444)   | (8,673)                                       |
|   | <u>112,832</u>                                    | <u>52,902</u>                                       | <u>138,246</u>                                   | <u>173,998</u>                                |
| Gross dividend income from:   |   |   |  |   |
| Financial assets held-for-trading   | 1,996   | 244   | 7,151  | 1,600   |
| Financial investments available-for-sale  | 75,674  | 49,103  | 226,516  | 179,635                                       |
|   | <u>77,670</u>                                     | <u>49,347</u>                                       | <u>233,667</u>                                   | <u>181,235</u>                                |
| Net unrealised gain/(loss) on revaluation of:                                   |   |   |  |   |
| Financial assets held-for-trading   | (27,617)  | (2,876)   | (13,444)   | 2,401   |
| Derivatives financial instruments   | (7,045)   | 13,764  | (87,006)   | (51,734)                                      |
|   | <u>(34,662)</u>                                   | <u>10,888</u>                                       | <u>(100,450)</u>                                 | <u>(49,333)</u>                               |
| Amortisation of fair value changes arising<br>from terminated fair value hedges | (42)  | (355)   | (519)  | (3,279)                                       |
| Other income:   |   |   |  |   |
| Foreign exchange gain/(loss)  | (4,773)   | 8,873   | 184,139  | 36,827  |
| Rental income   | 1,801   | 1,791   | 9,051  | 6,396   |
| Gain on disposal of property and<br>equipment (net)                             | 13  | 263   | 1,967  | 6,947   |
| Others  | 1,129   | 4,040   | 6,277  | 19,037  |
|   | <u>(1,830)</u>                                    | <u>14,967</u>                                       | <u>201,434</u>                                   | <u>69,207</u>                                 |
| Total non-interest income   | <u>426,370</u>                                    | <u>456,221</u>                                      | <u>1,434,920</u>                                 | <u>1,361,491</u>                              |

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**19. Non-Interest Income (continued)**

|  | The Company                                 |   | The Company                                |   |
|--|---|---|--|---|
|  | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Fee income:  |   |   |  |   |
| Management fees  | 2,343                                       | 2,471   | 10,410                                     | 10,436                                  |
| Gain/(Loss) arising from sale of financial assets:             |   |   |  |   |
| Gain/Net (loss) from sale of financial assets held-for-trading | -   | -   | 16   | (50)                                    |
| Net gain/(loss) from sale of derivatives financial instruments | 673   | -   | (1,237)                                    | (5,363)                                 |
| Gross dividend income from:                                    |   |   |  |   |
| Financial assets held-for-trading                              | -   | 48  | 3,031                                      | 699                                     |
| Subsidiary companies   | -   | 78,575  | 513,534                                    | 845,482                                 |
| Net unrealised (loss)/gain on revaluation of:                  |   |   |  |   |
| Derivatives financial instruments                              | (854)                                       | 745   | (1,038)                                    | (568)                                   |
| Other income   | (9)   | 171   | 189  | 369                                     |
| Total non-interest income                                      | 2,153                                       | 82,010  | 524,905                                    | 851,005                                 |

**20. Overhead expenses**

|  | The Group                                   |   | The Group                                  |   |
|--|---|---|--|---|
|  | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| <u>Personnel costs</u>                     |   |   |  |   |
| - Salaries, allowances and bonuses         | 285,629                                     | 274,698                                       | 1,065,972                                  | 1,048,898                               |
| - Mutual separation scheme (MSS) *         | 406   | -   | 172,064                                    | -                                       |
| - Medical expenses                         | 9,169                                       | 7,220   | 31,672                                     | 27,441                                  |
| - Training and convention expenses         | 8,072                                       | 3,300   | 33,566                                     | 11,904                                  |
| - Staff welfare                            | 1,111                                       | 3,771   | 7,995                                      | 10,843                                  |
| - Others                                   | 12,917                                      | 6,901   | 48,184                                     | 32,855                                  |
|  | 317,304                                     | 295,890                                       | 1,359,453                                  | 1,131,941                               |
| <u>Establishment costs</u>                 |   |   |  |   |
| - Depreciation of property and equipments  | 27,703                                      | 21,684  | 93,119                                     | 77,507                                  |
| - Amortisation of intangible assets        | 19,737                                      | 17,447  | 78,308                                     | 73,249                                  |
| - Rental of premises                       | 23,092                                      | 22,520  | 93,458                                     | 88,200                                  |
| - Information technology expenses          | 26,415                                      | 31,610  | 120,382                                    | 121,368                                 |
| - Security services                        | 8,079                                       | 6,205   | 27,686                                     | 26,177                                  |
| - Electricity, water and sewerage          | 8,916                                       | 6,034   | 27,408                                     | 24,912                                  |
| - Hire of plant and machinery              | 3,514                                       | 3,503   | 15,472                                     | 13,875                                  |
| - Others                                   | 5,584                                       | 6,402   | 22,314                                     | 25,864                                  |
|  | 123,040                                     | 115,405                                       | 478,147                                    | 451,152                                 |
| <u>Marketing expenses</u>                  |   |   |  |   |
| - Advertisement and publicity              | 2,357                                       | 12,084  | 31,412                                     | 36,526                                  |
| - Credit card related fees                 | 28,894                                      | 25,568  | 119,434                                    | 112,590                                 |
| - Others                                   | 7,389                                       | 5,196   | 22,538                                     | 19,182                                  |
|  | 38,640                                      | 42,848  | 173,384                                    | 168,298                                 |
| <u>Administration and general expenses</u> |   |   |  |   |
| - Teletransmission expenses                | 4,121                                       | 3,948   | 14,665                                     | 15,329                                  |
| - Stationery and printing expenses         | 5,011                                       | 4,947   | 18,332                                     | 19,540                                  |
| - Professional fees                        | 21,563                                      | 21,171  | 71,566                                     | 68,935                                  |
| - Insurance fees                           | 9,409                                       | 7,972   | 38,125                                     | 36,217                                  |
| - Credit card fees                         | 8,953                                       | 8,098   | 36,587                                     | 31,910                                  |
| - Travelling and transport expenses        | 1,330                                       | 1,432   | 4,924                                      | 6,181                                   |
| - Registration and license fees            | 2,418                                       | 2,137   | 9,667                                      | 7,239                                   |
| - Brokerage and commission                 | 1,818                                       | 1,582   | 6,897                                      | 6,844                                   |
| - Stamp, postage and courier               | 6,600                                       | 5,244   | 22,010                                     | 21,875                                  |
| - Others                                   | 12,035                                      | 21,723  | 50,624                                     | 34,802                                  |
|  | 73,258                                      | 78,254  | 273,397                                    | 248,872                                 |
|  | 552,242                                     | 532,397                                       | 2,284,381                                  | 2,000,263                               |

\* Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad had implemented a MSS as part of its move to strengthen operational efficiencies. This scheme was offered to all permanent staff at all levels, functions and locations on a voluntary basis, which will create an opportunity for both the Bank and employees to gain mutual benefits.



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**20. Overhead expenses (continued)**

|  | The Company                            |  | The Company                      |                                  |
|--|--|--|----------------------------------|----------------------------------|
|  | Current                                | Last year                              | Current year                     | Last year                        |
|  | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| <u>Personnel costs</u>                     |  |  |                                  |                                  |
| - Salaries, allowances and bonuses         | 3,060                                  | (2,072)                                | 8,721                            | 11,644                           |
| - Medical expenses                         | 22                                     | 45                                     | 96                               | 170                              |
| - Training and convention expenses         | 1                                      | 2                                      | 23                               | 19                               |
| - Staff welfare                            | 139                                    | 81                                     | 397                              | 303                              |
| - Others                                   | 166                                    | 804                                    | 594                              | 2,869                            |
|  | <u>3,388</u>                           | <u>(1,140)</u>                         | <u>9,831</u>                     | <u>15,005</u>                    |
| <u>Establishment costs</u>                 |  |  |                                  |                                  |
| - Depreciation of property and equipments  | 164                                    | 162                                    | 656                              | 558                              |
| - Amortisation of intangible assets        | 27                                     | 29                                     | 108                              | 103                              |
| - Rental of premises                       | 190                                    | 196                                    | 729                              | 791                              |
| - Electricity, water and sewerage          | 13                                     | 10                                     | 43                               | 43                               |
| - Hire of plant and machinery              | 11                                     | 8                                      | 36                               | 34                               |
| - Others                                   | 418                                    | 113                                    | 641                              | 344                              |
|  | <u>823</u>                             | <u>518</u>                             | <u>2,213</u>                     | <u>1,873</u>                     |
| <u>Administration and general expenses</u> |  |  |                                  |                                  |
| - Teletransmission expenses                | 8                                      | 8                                      | 31                               | 24                               |
| - Stationery and printing expenses         | 7                                      | 6                                      | 36                               | 38                               |
| - Professional fees                        | 20                                     | 641                                    | 575                              | 1,715                            |
| - Management fees                          | 483                                    | 612                                    | 2,171                            | 2,258                            |
| - Travelling and transport expenses        | 13                                     | 6                                      | 42                               | 26                               |
| - Others                                   | 148                                    | 322                                    | 305                              | 457                              |
|  | <u>679</u>                             | <u>1,595</u>                           | <u>3,160</u>                     | <u>4,518</u>                     |
|  | <u>4,890</u>                           | <u>973</u>                             | <u>15,204</u>                    | <u>21,396</u>                    |

**21. (Writeback of)/allowance for impairment losses on loans, advances and financing and other losses**

|   | The Group                              |  | The Group                        |                                  |
|---|--|--|----------------------------------|----------------------------------|
|   | Current                                | Last year                              | Current year                     | Last year                        |
|   | quarter ended<br>30/06/2016<br>RM '000 | quarter ended<br>30/06/2015<br>RM '000 | to date<br>30/06/2016<br>RM '000 | to date<br>30/06/2015<br>RM '000 |
| (Writeback of)/allowance for impairment losses on loans, advances and financing:  |  |  |                                  |                                  |
| - Individual assessment allowance   | 10,738                                 | 14,532                                 | (4,446)                          | (49,902)                         |
| - Collective assessment allowance   | (2,958)                                | 58,797                                 | 263,678                          | 213,042                          |
| (Writeback of)/allowance for impairment losses on clients' and brokers' balances: |  |  |                                  |                                  |
| - Individual assessment allowance   | (91)                                   | (203)                                  | (79)                             | (9)                              |
| - Collective assessment allowance   | (6)                                    | 10                                     | (6)                              | 8                                |
| (Writeback of)/allowance impairment losses on other assets                        |  |  |                                  |                                  |
| - Individual assessment allowance   | -                                      | (11)                                   | -                                | (106)                            |
| Impaired loans and financing:   |  |  |                                  |                                  |
| - written off   | 5,226                                  | 5,344                                  | 22,048                           | 45,617                           |
| - recovered   | (64,028)                               | (55,959)                               | (228,658)                        | (261,294)                        |
|   | <u>(51,119)</u>                        | <u>22,510</u>                          | <u>52,537</u>                    | <u>(52,644)</u>                  |

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**22. Capital adequacy**

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012 and its revised version on 13 October 2015 (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total Capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CcyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CcyB rates yet.

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

**Basel III**

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

|  | Hong Leong Bank Group |            | Hong Leong Bank Berhad |            | Hong Leong Investment Bank Berhad |            |
|--|-----------------------|------------|------------------------|------------|-----------------------------------|------------|
|  | 30/06/2016            | 30/06/2015 | 30/06/2016             | 30/06/2015 | 30/06/2016                        | 30/06/2015 |
| <b>Before deducting proposed dividends</b> |                       |            |                        |            |                                   |            |
| CET I capital ratio                        | 13.176%               | 11.147%    | 12.493%                | 9.861%     | 29.202%                           | 23.683%    |
| Tier I capital ratio                       | 13.577%               | 12.297%    | 12.961%                | 11.179%    | 29.202%                           | 23.683%    |
| Total capital ratio                        | 15.104%               | 14.715%    | 14.858%                | 14.226%    | 33.576%                           | 27.355%    |
| <b>After deducting proposed dividends</b>  |                       |            |                        |            |                                   |            |
| CET I capital ratio                        | 12.745%               | 10.750%    | 11.991%                | 9.406%     | 24.986%                           | 20.832%    |
| Tier I capital ratio                       | 13.146%               | 11.900%    | 12.458%                | 10.724%    | 24.986%                           | 20.832%    |
| Total capital ratio                        | 14.673%               | 14.318%    | 14.355%                | 13.771%    | 29.360%                           | 24.504%    |

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

|   | Hong Leong Bank Group |             | Hong Leong Bank Berhad |             | Hong Leong Investment Bank Berhad |            |
|---|-----------------------|-------------|------------------------|-------------|-----------------------------------|------------|
|   | 30/06/2016            | 30/06/2015  | 30/06/2016             | 30/06/2015  | 30/06/2016                        | 30/06/2015 |
|   | RM '000               | RM '000     | RM '000                | RM '000     | RM '000                           | RM '000    |
| <b>CET I capital</b>  |                       |             |                        |             |                                   |            |
| Paid up share capital   | 2,167,718             | 1,879,909   | 2,167,718              | 1,879,909   | 165,000                           | 165,000    |
| Share premium   | 5,571,345             | 2,872,183   | 5,571,345              | 2,872,183   | 87,950                            | 87,950     |
| Retained profit   | 8,412,365             | 7,819,514   | 6,035,024              | 5,653,204   | 36,357                            | 22,742     |
| Other reserves  | 4,939,875             | 4,363,914   | 3,727,869              | 3,219,396   | 199,404                           | 197,667    |
| Less: Treasury shares   | (735,040)             | (648,588)   | (735,040)              | (648,588)   | -                                 | -          |
| Less: Other intangible assets   | (264,766)             | (318,107)   | (246,784)              | (302,801)   | -                                 | -          |
| Less: Goodwill  | (1,831,312)           | (1,831,312) | (1,771,547)            | (1,771,547) | (34,379)                          | (32,535)   |
| Less: Deferred tax assets   | (3,957)               | -           | -                      | -           | (91,882)                          | (95,002)   |
| Less: Investment in subsidiary companies/<br>associated company/joint venture | (1,993,586)           | (1,242,626) | (1,531,798)            | (952,672)   | (217)                             | (154)      |
| Total CET I capital   | 16,262,642            | 12,894,887  | 13,216,787             | 9,949,084   | 362,233                           | 345,668    |
| <b>Additional Tier I capital</b>  |                       |             |                        |             |                                   |            |
| Non-innovative Tier I stapled securities                                      | -                     | 980,000     | -                      | 980,000     | -                                 | -          |
| Innovative Tier I capital securities  | 494,142               | 350,000     | 494,142                | 350,000     | -                                 | -          |
| Total additional Tier I capital   | 494,142               | 1,330,000   | 494,142                | 1,330,000   | -                                 | -          |
| Total Tier I capital  | 16,756,784            | 14,224,887  | 13,710,929             | 11,279,084  | 362,233                           | 345,668    |

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**22. Capital adequacy (continued)**

**Basel III**

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

|  | Hong Leong Bank Group |                   | Hong Leong Bank Berhad |                   | Hong Leong Investment Bank Berhad |                |
|--|-----------------------|-------------------|------------------------|-------------------|-----------------------------------|----------------|
|  | 30/06/2016            | 30/06/2015        | 30/06/2016             | 30/06/2015        | 30/06/2016                        | 30/06/2015     |
|  | RM '000               | RM '000           | RM '000                | RM '000           | RM '000                           | RM '000        |
| <b>Tier II Capital</b>   |                       |                   |                        |                   |                                   |                |
| Collective assessment allowance ^ and regulatory reserves #                | 1,214,681             | 1,109,877         | 1,029,079              | 951,123           | 4,394                             | 3,825          |
| Subordinated obligations   | 1,999,411             | 3,552,000         | 1,999,411              | 3,552,000         | 50,000                            | 50,000         |
| Tier II capital before regulatory adjustments                              | 3,214,092             | 4,661,877         | 3,028,490              | 4,503,123         | 54,394                            | 53,825         |
| Less: Investment in subsidiary companies/ associated company/joint venture | (1,329,057)           | (1,863,940)       | (1,021,198)            | (1,429,008)       | (144)                             | (230)          |
| Total Tier II capital  | 1,885,035             | 2,797,937         | 2,007,292              | 3,074,115         | 54,250                            | 53,595         |
| <b>Total capital</b>   | <b>18,641,819</b>     | <b>17,022,824</b> | <b>15,718,221</b>      | <b>14,353,199</b> | <b>416,483</b>                    | <b>399,263</b> |

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

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM587,527,000 (2015:RM388,112,000), Hong Leong Bank Berhad of RM495,008,000 (2015: RM334,138,000) and Hong Leong Investment Bank Berhad of RM3,563,000 (2015: RM3,031,000) respectively.

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

|                  | Hong Leong Bank Group |             | Hong Leong Bank Berhad |             | Hong Leong Investment Bank Berhad |            |
|------------------|-----------------------|-------------|------------------------|-------------|-----------------------------------|------------|
|                  | 30/06/2016            | 30/06/2015  | 30/06/2016             | 30/06/2015  | 30/06/2016                        | 30/06/2015 |
|                  | RM '000               | RM '000     | RM '000                | RM '000     | RM '000                           | RM '000    |
| Credit risk      | 111,838,090           | 105,009,787 | 95,233,431             | 91,202,163  | 520,091                           | 678,033    |
| Market risk      | 3,951,986             | 3,052,311   | 3,857,577              | 3,065,215   | 416,042                           | 483,713    |
| Operational risk | 7,633,295             | 7,620,076   | 6,698,869              | 6,627,632   | 304,287                           | 297,840    |
| Total RWA        | 123,423,371           | 115,682,174 | 105,789,877            | 100,895,010 | 1,240,420                         | 1,459,586  |

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

|  | Hong Leong Islamic Bank |            |
|--|-------------------------|------------|
|  | 30/06/2016              | 30/06/2015 |
| <b>Before deducting proposed dividends</b> |                         |            |
| CET I capital ratio                        | 10.383%                 | 11.323%    |
| Tier I capital ratio                       | 10.383%                 | 11.323%    |
| Total capital ratio                        | 13.855%                 | 15.240%    |
| <b>After deducting proposed dividends</b>  |                         |            |
| CET I capital ratio                        | 10.383%                 | 11.253%    |
| Tier I capital ratio                       | 10.383%                 | 11.253%    |
| Total capital ratio                        | 13.855%                 | 15.170%    |

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**23. Events after Balance Sheet date**

There are no materials events subsequent to the end of the financial period ended 30 June 2016.

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

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

- (a) Wing Trade Investments Limited, a wholly-owned subsidiary of HLFG in British Virgin Islands, was dissolved on 24 July 2015.
- (b) Promitol Sdn Bhd, a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB") which in turn a subsidiary of HLFG, was dissolved on 29 July 2015.
- (c) ECS Jaya (1969) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFG, was dissolved on 29 January 2016.
- (d) RC Research Sdn Bhd, a wholly-owned subsidiary of HLIB, was dissolved on 8 March 2016.
- (e) HLB had on 29 June 2016 completed the acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd ("DCT") from Hong Leong Real Estate Holdings Sdn Bhd, Accordingly, DCT had become a wholly-owned subsidiary of HLB on the event date.
- (f) On 15 July 2016, HLB announced that the liquidator of Wah Tat Nominees (Tempatan) Sdn Bhd ("Wah Tat Nominees"), a wholly-owned subsidiary of WTB Corporation Sdn Bhd which in turn is a wholly-owned subsidiary of HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB, had convened the final meeting for Wah Tat Nominees to conclude the member's voluntary winding-up of Wah Tat Nominees. The Return by Liquidator Relating to Final Meeting of Wah Tat Nominees was lodged on 15 July 2016 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, Wah Tat Nominees will be dissolved.
- (g) On 15 July 2016, HLCB announced that the liquidator of HLG Nominee (Asing) Sdn Bhd ("HLG Nominee"), a wholly-owned subsidiary of HLIB, had convened the final meeting for HLG Nominee to conclude the member's voluntary winding-up of HLG Nominee. The Return by Liquidator Relating to Final Meeting of HLG Nominee was lodged on 15 July 2016 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HLG Nominee will be dissolved.

**25. 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.

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**26. Commitments and contingencies**

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

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

|  | <b>The Group</b>   |                    |
|--|--------------------|--------------------|
|  | <b>30/06/2016</b>  | <b>30/06/2015</b>  |
|  | <b>RM'000</b>      | <b>RM'000</b>      |
| Direct credit substitutes  | 121,679            | 220,983            |
| Certain transaction related contingent items   | 1,621,014          | 1,606,465          |
| Short-term self liquidating trade related contingencies  | 766,350            | 755,587            |
| Irrevocable commitments to extend credit:  |                    |                    |
| - less than one year   | 17,515,111         | 17,264,715         |
| - more than one year   | 16,125,773         | 18,161,494         |
| Any commitments that are unconditionally cancellable at any time by the Group without prior notice |                    |                    |
| - less than one year   | 686,780            | 722,877            |
| Foreign exchange related contracts   |                    |                    |
| - less than one year   | 30,866,808         | 33,596,962         |
| - one year to less than five years   | 4,950,940          | 4,409,157          |
| - five years and above   | 895,329            | 819,693            |
| Interest rate related contracts  |                    |                    |
| - less than one year   | 35,439,838         | 23,442,517         |
| - one year to less than five years   | 39,926,819         | 46,063,835         |
| - five years and above   | 2,532,411          | 2,654,631          |
| Equity related contracts   |                    |                    |
| - less than one year   | 296,489            | 360,330            |
| - one year to less than five years   | 219,299            | 111,437            |
| Commodity related contracts  |                    |                    |
| - less than one year   | 4,949              | 1,471              |
| - one year to less than five years   | -                  | 3,826              |
| Unutilised credit card lines   | 7,503,020          | 7,426,036          |
| <b>Total</b>   | <b>159,472,609</b> | <b>157,622,016</b> |

|                                    | <b>The Company</b> |                   |
|------------------------------------|--------------------|-------------------|
|                                    | <b>30/06/2016</b>  | <b>30/06/2015</b> |
|                                    | <b>RM'000</b>      | <b>RM'000</b>     |
| Interest rate swaps                |                    |                   |
| - less than one year               | 100,000            | -                 |
| - one year to less than five years | 100,000            | 775,000           |
|                                    | <u>200,000</u>     | <u>775,000</u>    |

- b. Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustee Malaysia Berhad, the trustee of the Funds, that if the 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 the fund was above the minimum of RM1 million as at 30 June 2016 (30 June 2015: RM1 million).

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**27. Fair value of financial instruments**

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

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

Determination of fair value and fair value hierarchy

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

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

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

Determination of fair value and fair value hierarchy (continued)

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

**The Group**

|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000   |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>30 June 2016</b>                             |                   |                   |                   |                   |
| <b><u>Recurring fair value measurements</u></b> |                   |                   |                   |                   |
| <b><u>Financial assets</u></b>                  |                   |                   |                   |                   |
| Financial assets held-for-trading               |                   |                   |                   |                   |
| - Money market instruments                      | -                 | 5,741,903         | -                 | 5,741,903         |
| - Quoted securities                             | 1,275,928         | -                 | -                 | 1,275,928         |
| - Unquoted securities                           | -                 | 1,506,842         | -                 | 1,506,842         |
| Financial investments available-for-sale        |                   |                   |                   |                   |
| - Money market instruments                      | -                 | 7,801,574         | -                 | 7,801,574         |
| - Quoted securities                             | 14,121,041        | -                 | -                 | 14,121,041        |
| - Unquoted securities                           | -                 | 13,414,757        | 429,720           | 13,844,477        |
| Derivative financial instruments                | 11                | 1,054,352         | 7,995             | 1,062,358         |
|   | <u>15,396,980</u> | <u>29,519,428</u> | <u>437,715</u>    | <u>45,354,123</u> |
| <b><u>Financial liabilities</u></b>             |                   |                   |                   |                   |
| Derivative financial instruments                | 1,554             | 1,644,676         | 7,995             | 1,654,225         |
| Financial liabilities designated at fair value  |                   |                   |                   |                   |
| - Callable range accrual notes                  | -                 | 1,421,919         | -                 | 1,421,919         |
|   | <u>1,554</u>      | <u>3,066,595</u>  | <u>7,995</u>      | <u>3,076,144</u>  |
| <b>30 June 2015</b>                             |                   |                   |                   |                   |
| <b><u>Recurring fair value measurements</u></b> |                   |                   |                   |                   |
| <b><u>Financial assets</u></b>                  |                   |                   |                   |                   |
| Financial assets held-for-trading               |                   |                   |                   |                   |
| - Money market instruments                      | -                 | 7,204,192         | -                 | 7,204,192         |
| - Quoted securities                             | 1,173,464         | -                 | -                 | 1,173,464         |
| - Unquoted securities                           | -                 | 861,148           | -                 | 861,148           |
| Financial investments available-for-sale        |                   |                   |                   |                   |
| - Money market instruments                      | -                 | 7,028,388         | -                 | 7,028,388         |
| - Quoted securities                             | 10,912,158        | -                 | -                 | 10,912,158        |
| - Unquoted securities                           | -                 | 11,285,232        | 397,279           | 11,682,511        |
| Derivative financial instruments                | 42                | 1,461,090         | 6,952             | 1,468,084         |
|   | <u>12,085,664</u> | <u>27,840,050</u> | <u>404,231</u>    | <u>40,329,945</u> |
| <b><u>Financial liabilities</u></b>             |                   |                   |                   |                   |
| Derivative financial instruments                | 2,959             | 1,359,454         | 6,952             | 1,369,365         |
| Financial liabilities designated at fair value  |                   |                   |                   |                   |
| - Callable range accrual notes                  | -                 | 1,551,946         | -                 | 1,551,946         |
|   | <u>2,959</u>      | <u>2,911,400</u>  | <u>6,952</u>      | <u>2,921,311</u>  |

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (30 June 2015 - RM Nil).

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

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

**The Company**

|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>30 June 2016</b>                             |                   |                   |                   |                 |
| <b><i>Recurring fair value measurements</i></b> |                   |                   |                   |                 |
| <b><u>Financial assets</u></b>                  |                   |                   |                   |                 |
| Derivative financial instruments                | -                 | 80                | -                 | 80              |
| <b><u>Financial liabilities</u></b>             |                   |                   |                   |                 |
| Derivative financial instruments                | -                 | 1,455             | -                 | 1,455           |
| <b>30 June 2015</b>                             |                   |                   |                   |                 |
| <b><i>Recurring fair value measurements</i></b> |                   |                   |                   |                 |
| <b><u>Financial assets</u></b>                  |                   |                   |                   |                 |
| Derivative financial instruments                | -                 | 126               | -                 | 126             |
| <b><u>Financial liabilities</u></b>             |                   |                   |                   |                 |
| Derivative financial instruments                | -                 | 1,158             | -                 | 1,158           |

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

|  | Financial Assets                                   |  | Financial Liability                        |
|--|--|--|--|
|  | Financial investments available-for-sale<br>RM'000 | Derivative financial instruments<br>RM'000 | Derivative financial instruments<br>RM'000 |
| <b>The Group</b>   |  |  |  |
| <b>30 June 2016</b>  |  |  |  |
| As at beginning of the financial year  | 397,279  | 6,952                                      | 6,952                                      |
| Fair value changes recognised in statements of income  | -  | (3,023)                                    | (3,023)                                    |
| Net fair value changes recognised in other comprehensive income  | 32,441   | -  | -  |
| Purchase   | -  | 4,171                                      | 4,171                                      |
| Disposal   | -  | (105)                                      | (105)                                      |
| As at end of the financial year  | 429,720  | 7,995                                      | 7,995                                      |
| Fair value changes recognised in statement of income relating to assets/liability held on 30 June 2016 | -  | (3,023)                                    | (3,023)                                    |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2016            | 32,441   | -  | -  |
|  |  |  |  |
|  | Financial Assets                                   |  | Financial Liability                        |
|  | Financial investments available-for-sale<br>RM'000 | Derivative financial instruments<br>RM'000 | Derivative financial instruments<br>RM'000 |
| <b>The Group</b>   |  |  |  |
| <b>30 June 2015</b>  |  |  |  |
| As at beginning of the financial year  | 369,708  | -  | -  |
| Fair value changes recognised in statements of income  | -  | (480)                                      | (480)                                      |
| Net fair value changes recognised in other comprehensive income  | 27,596   | -  | -  |
| Purchase   | -  | 7,432                                      | 7,432                                      |
| Disposal   | (25)   | -  | -  |
| As at end of the financial year  | 397,279  | 6,952                                      | 6,952                                      |
| Fair value changes recognised in statement of income relating to assets/liability held on 30 June 2015 | -  | (480)                                      | (480)                                      |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2015            | 27,596   | -  | -  |



**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
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**1 Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM788.8 million for the current quarter ended 30 June 2016 compared to RM780.5 million in the previous corresponding quarter, an increase of RM8.4 million or 1.1%. The increase was mainly due to higher contribution from its banking division.

Hong Leong Bank Group recorded a profit before tax of RM724.4 million for the current quarter ended 30 June 2016 compared to RM672.5 million in the previous corresponding quarter, an increase of RM51.9 million or 7.7%. The increase was mainly due to higher writeback of allowance for impairment losses on loans, advances and financing amounting to RM74.9 million and higher revenue of RM38.1 million. This is however offset by higher operating expenses of RM22.9 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM31.0 million and higher allowance for impairment losses from securities of RM7.2 million.

HLA Holdings Group recorded a profit before tax of RM75.2 million for the current quarter ended 30 June 2016 compared to profit before tax of RM140.9 million in the previous corresponding quarter, a decrease of RM65.7 million or 46.6%. The decrease was mainly due to higher actuarial reserve provisioning of RM60.4 million, lower non interest income of RM5.3 million and higher operating expenses of RM9.1 million. This is however mitigated by a higher share of profit from associated company of RM10.2 million.

Hong Leong Capital Group recorded a profit before tax of RM15.7 million for the current quarter ended 30 June 2016 compared to RM27.5 million in the previous corresponding quarter, a decrease of RM11.8 million or 42.9%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM2,565.0 million for the year ended 30 June 2016 as compared to RM3,023.3 million last year, with a decrease of RM458.2 million or 15.2%. The decrease was mainly due to lower contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,381.7 million for the year ended 30 June 2016 as compared to RM2,746.2 million last year, a decrease of RM364.5 million or 13.3%. The decrease was due to higher operating expenses of RM272.9 million (inclusive of a one-off Mutual Separation Scheme expense of RM172.1 million), higher allowance for impairment losses on loans, advances and financing of RM104.5 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM84.3 million and lower writeback of allowance for impairment losses from securities of RM13.7 million. This is however mitigated by higher revenue of RM110.9 million.

HLA Holdings Group recorded a profit before tax of RM197.5 million for the year ended 30 June 2016 as compared to RM287.3 million last year, a decrease of RM89.8 million or 31.3%. The decrease was mainly due to higher operating expenses of RM23.8 million, higher actuarial reserve provisioning of RM90.1 million and higher allowance for impairment losses on securities of RM20.6 million. This is however mitigated by higher share of profit from associated company of RM6.9 million, higher insurance income of RM24.2 million and higher investment income of RM12.5 million.

Hong Leong Capital Group recorded a profit before tax of RM64.5 million for the year ended 30 June 2016 as compared to RM78.5 million last year, a decrease of RM14.0 million or 17.8%. This is mainly due to lower contribution from the investment banking and stockbroking divisions.

**3 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM788.8 million for the current quarter ended 30 June 2016 compared to RM591.9 million in the preceding quarter, an increase of RM196.9 million or 33.3%. The increase in profit before tax was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM724.4 million for the current quarter ended 30 June 2016 as compared to RM606.6 million in the preceding quarter, an increase of RM117.8 million or 19.4%. The increase was mainly due to higher revenue by RM76.7 million and higher writeback of allowance for impairment losses on loans, advances and financing of RM71.3 million and higher writeback of allowance for impairment losses on securities of RM0.5 million. This is however offset by higher operating expenses of RM21.8 million and lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM8.9 million.

HLA Holdings Group recorded a profit before tax of RM75.2 million for the current quarter ended 30 June 2016 compared to a loss before tax of RM8.8 million in the preceding quarter, an increase of RM83.9 million. The increase was mainly due to Participating fund surplus transfer of RM39.6 million, lower actuarial reserve provisioning of RM40.5 million, higher investment income of RM16.2 million and higher share of profit from associated company of RM6.5 million. This is however offset by higher operating expenses of RM14.5 million and higher allowance for impairment losses on securities of RM15.7 million.

Hong Leong Capital Group recorded a profit before tax of RM15.7 million for the current quarter ended 30 June 2016 compared to RM14.5 million in the preceding quarter, an increase of RM1.2 million or 8.3%. This was mainly due to higher contribution from its investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**4 Prospects for the current year**

Barring unforeseen circumstances, the Group is expected to maintain performance in line with market conditions for the next financial year.

**5 Variance of actual profit from forecasted profit**

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

**6 Taxation**

|                            | The Group                                   |   | The Group                                  |   |
|----------------------------|---|---|--|---|
|                            | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Malaysian income tax       | 171,484                                     | 152,709                                       | 484,693                                    | 633,930                                 |
| Transfer from deferred tax | 9,202                                       | (29,603)                                      | 8,625                                      | (30,605)                                |
|                            | <u>180,686</u>                              | <u>123,106</u>                                | <u>493,318</u>                             | <u>603,325</u>                          |
| Prior year over provision  |   |   |  |   |
| - Malaysia                 | 7,604                                       | (32,315)                                      | 8,176                                      | (40,417)                                |
|                            | <u>188,290</u>                              | <u>90,791</u>                                 | <u>501,494</u>                             | <u>562,908</u>                          |
|                            | The Company                                 |   | The Company                                |   |
|                            | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Malaysian income tax       | 82  | 662   | 3,200                                      | 3,092                                   |
| Transfer from deferred tax | 1,609                                       | 1,107   | 1,840                                      | 1,380                                   |
|                            | <u>1,691</u>                                | <u>1,769</u>                                  | <u>5,040</u>                               | <u>4,472</u>                            |
| Prior year under provision |   |   |  |   |
| - Malaysia                 | (82)  | -   | (82)                                       | -                                       |
|                            | <u>1,609</u>                                | <u>1,769</u>                                  | <u>4,958</u>                               | <u>4,472</u>                            |

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

**7 Sale of properties/unquoted investments**

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial year under review.

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

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

**9 Status of corporate proposals**

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

- (a) On 30 June 2016, the Company announced that Bank Negara Malaysia has no objection for Company and its wholly owned subsidiary, HLA Holdings Sdn Bhd (“HLAH”), to commence negotiations with certain parties for the possible acquisition by them of HLAH’s equity interest in Hong Leong Assurance Berhad, a 70% subsidiary of HLAH, and Hong Leong MSIG Takaful Berhad, a 65% subsidiary of HLAH, subject to the negotiations being concluded within 6 months from 23 June 2016.

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

|                                | Note  | The Group                      |                                |
|--------------------------------|-------|--------------------------------|--------------------------------|
|                                |       | As at<br>30/06/2016<br>RM '000 | As at<br>30/06/2015<br>RM '000 |
| Revolving credit               | (i)   | 305,450                        | -                              |
| Commercial papers              | (ii)  | 349,347                        | 374,236                        |
| Medium term notes              | (ii)  | 756,286                        | 351,194                        |
| Term loans                     | (iii) | 565,193                        | 85,072                         |
| Senior bonds                   | (iv)  | 1,215,643                      | 2,286,380                      |
|                                |       | <u>3,191,919</u>               | <u>3,096,882</u>               |
| Repayment of revolving credit  |       |                                |                                |
| - less than one year           |       | 305,450                        | -                              |
| Repayment of commercial papers |       |                                |                                |
| - less than one year           |       | 349,347                        | 374,236                        |
| Repayment of medium term notes |       |                                |                                |
| - less than one year           |       | 150,484                        | -                              |
| - one to three years           |       | 352,528                        | 100,331                        |
| - three years and above        |       | 253,274                        | 250,863                        |
| Repayment of term loans        |       |                                |                                |
| - less than one year           |       | 10,463                         | 85,072                         |
| - one to five years            |       | 554,730                        | -                              |
| Repayment of senior bonds      |       |                                |                                |
| - less than one year           |       | 1,215,643                      | -                              |
| - one to three years           |       | -                              | 2,286,380                      |
|                                |       | <u>3,191,919</u>               | <u>3,096,882</u>               |

|                                | Note  | The Company                    |                                |
|--------------------------------|-------|--------------------------------|--------------------------------|
|                                |       | As at<br>30/06/2016<br>RM '000 | As at<br>30/06/2015<br>RM '000 |
| Revolving credit               | (i)   | 305,450                        | -                              |
| Commercial papers              | (ii)  | 349,347                        | 374,236                        |
| Medium term notes              | (ii)  | 806,457                        | 401,358                        |
| Term loans                     | (iii) | 180,463                        | 85,072                         |
|                                |       | <u>1,641,717</u>               | <u>860,666</u>                 |
| Repayment of revolving credit  |       |                                |                                |
| - less than one year           |       | 305,450                        | -                              |
| Repayment of commercial papers |       |                                |                                |
| - less than one year           |       | 349,347                        | 374,236                        |
| Repayment of medium term notes |       |                                |                                |
| - less than one year           |       | 150,484                        | -                              |
| - one to three years           |       | 402,705                        | 150,495                        |
| - three years and above        |       | 253,268                        | 250,863                        |
| Repayment of term loans        |       |                                |                                |
| - less than one year           |       | 10,463                         | 85,072                         |
| - one to three years           |       | 170,000                        | -                              |
|                                |       | <u>1,641,717</u>               | <u>860,666</u>                 |

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
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**10 Borrowings (continued)**

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.64% to 3.92% (30 June 2015: ranging from 3.58% to 3.77%) per annum and repayable within 12 months.
- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.58% to 3.86% (30 June 2015: 3.58% to 3.82%).

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 4.30% to 4.80% (30 June 2015: 4.05% to 4.50%) per annum.

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

- (iii) The Company has the following term loans for the financial year:
- (a) an unsecured short-term loan facility of RM10 million maturing on 11 January 2017. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.
- (b) an unsecured 1 year term loan of RM170 million maturing on 2 July 2017. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.
- (iv) The Group has the following senior bonds:

|                                      | Note | The Group        |                  |
|--------------------------------------|------|------------------|------------------|
|                                      |      | As at            | As at            |
|                                      |      | 30/06/2016       | 30/06/2015       |
|                                      |      | RM '000          | RM '000          |
| USD 300 million senior bonds, at par | (a)  | -                | 916,350          |
| USD 300 million senior bonds, at par | (b)  | 919,200          | 919,200          |
| Foreign exchange translations        |      | 290,550          | 435,750          |
|                                      |      | <u>1,209,750</u> | <u>2,271,300</u> |
| Add: Interest payable                |      | 7,561            | 19,401           |
|                                      |      | <u>1,217,311</u> | <u>2,290,701</u> |
| Less: Unamortised discounts          |      | (1,668)          | (4,321)          |
|                                      |      | <u>1,215,643</u> | <u>2,286,380</u> |

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

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

On 17 March 2016, the Bank had fully redeemed the Bonds of USD300.0 million on its maturity date.

- (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%.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**11 Subordinated obligations**

|  |      | <b>The Group</b>                        |   |
|--|------|---|---|
|  |      | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
|  | Note |   |   |
| RM700 million Tier 2 subordinated debt, at par                               | (a)  | -                                       | 685,000                                 |
| Add: Interest payable  |      | -                                       | 12,673                                  |
|  |      | -                                       | 697,673                                 |
| Less: Unamortised discounts  |      | -                                       | (2)                                     |
|  |      | -                                       | 697,671                                 |
| RM1.0 billion Tier 2 subordinated debt, at par                               | (b)  | -                                       | 1,000,000                               |
| Add: Interest payable  |      | -                                       | 6,793                                   |
|  |      | -                                       | 1,006,793                               |
| Less: Unamortised discounts  |      | -                                       | (124)                                   |
|  |      | -                                       | 1,006,669                               |
| Subordinated medium term notes, at par                                       | (c)  | -                                       | 500,000                                 |
| Add: Interest payable  |      | -                                       | 65                                      |
|  |      | -                                       | 500,065                                 |
| Less: Unamortised discounts  |      | -                                       | (350)                                   |
| Add: Fair value adjustments on completion of business combination accounting |      | -                                       | (147)                                   |
|  |      | -                                       | 499,568                                 |
| RM1.5 billion Tier 2 subordinated debt, at par                               | (d)  | 1,500,000                               | 1,500,000                               |
| Add: Interest payable  |      | 1,480                                   | 1,664                                   |
|  |      | 1,501,480                               | 1,501,664                               |
| Less: Unamortised discounts  |      | (589)                                   | (1,027)                                 |
|  |      | 1,500,891                               | 1,500,637                               |
| RM500 million Tier 2 subordinated debt, at par                               | (e)  | 500,000                                 | 500,000                                 |
| Add: Interest payable  |      | 8,692                                   | 6,895                                   |
|  |      | 508,692                                 | 506,895                                 |
| Less: Unamortised discounts  |      | (1,620)                                 | (204)                                   |
|  |      | 507,072                                 | 506,691                                 |
| RM400 million Tier 2 subordinated Sukuk Ijarah, at par                       | (f)  | 400,000                                 | 400,000                                 |
| Add: Interest payable  |      | 736                                     | 736                                     |
|  |      | 400,736                                 | 400,736                                 |
| Less: Unamortised discounts  |      | (254)                                   | (431)                                   |
|  |      | 400,482                                 | 400,305                                 |
| RM500 million Tier 2 subordinated notes, at par                              | (g)  | 500,000                                 | 500,000                                 |
| Add: Interest payable  |      | 526                                     | 526                                     |
|  |      | 500,526                                 | 500,526                                 |
| Less: Unamortised discounts  |      | (577)                                   | (1,006)                                 |
|  |      | 499,949                                 | 499,520                                 |
| RM50 million Tier 2 subordinated notes, at par                               | (h)  | 50,000                                  | 50,000                                  |
| Add: Interest payable  |      | 407                                     | 407                                     |
|  |      | 50,407                                  | 50,407                                  |
| Less: Unamortised discounts  |      | (160)                                   | (213)                                   |
|  |      | 50,247                                  | 50,194                                  |
|  |      | <u>2,958,641</u>                        | <u>5,161,255</u>                        |

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**11 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.

On 10 August 2015, Hong Leong Bank (“HLB”) had fully redeemed the RM700.0 million nominal value of Tier 2 Sub Debt bearing coupon rate of 4.85% per annum.

- (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.

On 5 May 2016, HLB had fully redeemed the RM1.0 billion nominal value of Tier 2 sub Debt bearing coupon rate of 4.35% per annum.

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

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

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

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

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

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% per annum.

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

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

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**11 Subordinated obligations (continued)**

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

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

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

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

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

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

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

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

- (h) On 6 November 2014, Hong Leong Investment Bank Berhad (“HLIB”), a wholly owned subsidiary of Hong Leong Capital Berhad and also an indirect subsidiary of HLFG, had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

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

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**12 Non-innovative Tier 1 stapled securities**

|  | <b>The Group</b>                        |   |
|--|---|---|
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| RM1.4 billion Non-Innovative Tier 1 stapled securities, at par | -                                       | 1,400,000                               |
| Add: Interest payable  | -                                       | 11,040                                  |
|  | -                                       | 1,411,040                               |
| Less: Unamortised discounts                                    | -                                       | (171)                                   |
|  | -                                       | 1,410,869                               |

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

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

On 5 May 2016, HLB had fully redeemed the RM1.4 billion NIT-1 Stapled Securities bearing coupon rate of 5.05% per annum.

**13 Innovative Tier 1 capital securities**

|  | <b>The Group</b>                        |   |
|--|---|---|
|  | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| RM500 million Innovative Tier 1 capital securities, at par                   | 500,000                                 | 500,000                                 |
| Add: Interest payable  | 12,771                                  | 12,771                                  |
|  | 512,771                                 | 512,771                                 |
| Less: Unamortised discounts  | (5,858)                                 | (7,367)                                 |
| Add: Fair value adjustments on completion of business combination accounting | 14,599                                  | 24,819                                  |
|  | 521,512                                 | 530,223                                 |

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 Group and HLB.



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**14 Off-Balance Sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 June 2016

**The Group**

| Items                              | Principal amount<br>RM'000 | Fair Value       |                       |
|------------------------------------|----------------------------|------------------|-----------------------|
|                                    |                            | Assets<br>RM'000 | Liabilities<br>RM'000 |
| Foreign exchange related contracts |                            |                  |                       |
| - Forwards                         |                            |                  |                       |
| (i) Less than 1 year               | 20,753,954                 | 189,142          | (445,724)             |
| (ii) 1 year to 3 years             | 18,146                     | 461              | (101)                 |
| (iii) More than 3 years            | 48,503                     | -                | (23,462)              |
| - Swaps                            |                            |                  |                       |
| (i) Less than 1 year               | 7,670,891                  | 158,501          | (133,542)             |
| (ii) 1 year to 3 years             | 4,565,055                  | 271,551          | (492,518)             |
| (iii) More than 3 years            | 1,045,237                  | 98,987           | (31,804)              |
| - Options                          |                            |                  |                       |
| (i) Less than 1 year               | 2,441,963                  | 21,343           | (15,929)              |
| (ii) 1 year to 3 years             | 169,328                    | 1,747            | (1,747)               |
| Interest rate related contracts    |                            |                  |                       |
| - Futures                          |                            |                  |                       |
| (i) Less than 1 year               | 10,221,950                 | 11               | (3,131)               |
| - Swaps                            |                            |                  |                       |
| (i) Less than 1 year               | 25,217,888                 | 16,890           | (25,216)              |
| (ii) 1 year to 3 years             | 20,390,929                 | 54,982           | (110,631)             |
| (iii) More than 3 years            | 22,068,301                 | 238,602          | (361,562)             |
| Equity related contracts           |                            |                  |                       |
| (i) Less than 1 year               | 296,489                    | 7,011            | (7,022)               |
| (ii) 1 year to 3 years             | 212,299                    | 984              | (984)                 |
| (iii) More than 3 years            | 7,000                      | 1,271            | -                     |
| Commodity related contracts        |                            |                  |                       |
| (i) Less than 1 year               | 4,949                      | 875              | (852)                 |
| <b>Total</b>                       | <b>115,132,882</b>         | <b>1,062,358</b> | <b>(1,654,225)</b>    |

**The Company**

| Items                           | Principal amount<br>RM'000 | Fair Value       |                       |
|---------------------------------|----------------------------|------------------|-----------------------|
|                                 |                            | Assets<br>RM'000 | Liabilities<br>RM'000 |
| Interest rate related contracts |                            |                  |                       |
| - Swaps                         |                            |                  |                       |
| (i) Less than 1 year            | 100,000                    | 80               | -                     |
| (i) 1 year to 3 years           | 100,000                    | -                | (1,455)               |
| <b>Total</b>                    | <b>200,000</b>             | <b>80</b>        | <b>(1,455)</b>        |

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

Details of financial instruments with off-balance sheet risk as at 30 June 2015

**The Group**

| Items                              | Principal amount<br>RM'000 | Fair Value       |                       |
|------------------------------------|----------------------------|------------------|-----------------------|
|                                    |                            | Assets<br>RM'000 | Liabilities<br>RM'000 |
| Foreign exchange related contracts |                            |                  |                       |
| - Forwards                         |                            |                  |                       |
| (i) Less than 1 year               | 24,276,218                 | 767,439          | (424,069)             |
| (ii) 1 year to 3 years             | 98,423                     | 2,110            | -                     |
| - Swaps                            |                            |                  |                       |
| (i) Less than 1 year               | 6,772,023                  | 148,744          | (142,880)             |
| (ii) 1 year to 3 years             | 2,833,122                  | 137,620          | (216,453)             |
| (iii) More than 3 years            | 2,297,305                  | 136,315          | (185,756)             |
| - Options                          |                            |                  |                       |
| (i) Less than 1 year               | 2,548,721                  | 32,004           | (26,254)              |
| Interest rate related contracts    |                            |                  |                       |
| - Futures                          |                            |                  |                       |
| (i) Less than 1 year               | 8,776,870                  | 146              | (2,987)               |
| (ii) 1 year to 3 years             | 48,832                     | -                | (220)                 |
| - Swaps                            |                            |                  |                       |
| (i) Less than 1 year               | 14,665,647                 | 26,571           | (25,506)              |
| (ii) 1 year to 3 years             | 27,642,346                 | 60,097           | (78,996)              |
| (iii) More than 3 years            | 21,027,288                 | 146,684          | (259,008)             |
| Equity related contracts           |                            |                  |                       |
| (i) Less than 1 year               | 360,330                    | 3,075            | (3,075)               |
| (ii) 1 year to 3 years             | 102,937                    | 3,877            | (3,877)               |
| (iii) More than 3 years            | 8,500                      | 3,097            | -                     |
| Commodity related contracts        |                            |                  |                       |
| (i) Less than 1 year               | 1,471                      | 87               | (81)                  |
| (ii) 1 year to 3 years             | 3,826                      | 218              | (203)                 |
| <b>Total</b>                       | <b>111,463,859</b>         | <b>1,468,084</b> | <b>(1,369,365)</b>    |

**The Company**

| Items                           | Principal amount<br>RM'000 | Fair Value       |                       |
|---------------------------------|----------------------------|------------------|-----------------------|
|                                 |                            | Assets<br>RM'000 | Liabilities<br>RM'000 |
| Interest rate related contracts |                            |                  |                       |
| - Swaps                         |                            |                  |                       |
| (i) 1 year to 3 years           | 775,000                    | 126              | (1,158)               |
| <b>Total</b>                    | <b>775,000</b>             | <b>126</b>       | <b>(1,158)</b>        |

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM20,017,001 (FYE June 2015: RM33,684,338) and RM76,308,873,177 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

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

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,031,399,571 (FYE June 2015: RM1,520,741,372). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

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

**Liquidity risk**

Derivatives

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

**Related accounting policies**

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

*Fair value hedge*

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

*Cash flow hedge*

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

**15 Material litigation**

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

**16 HLFG Dividends**

For the financial year ended 30 June 2016, a total single-tier dividend of 38 sen per share was declared (30 June 2015: 38 sen per share).

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**17 Earnings per share**

(a) Basic earnings per share

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

|   | The Group                                   |   | The Group                                  |   |
|---|---|---|--|---|
|   | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Net profit attributable to equity holders         | 393,497                                     | 441,250                                       | 1,358,895                                  | 1,620,743                               |
| Weighted average number of ordinary shares ('000) | 1,143,552                                   | 1,050,486                                     | 1,102,947                                  | 1,050,486                               |
| <b>Basic earnings per share (Sen)</b>             | <b>34.4</b>                                 | <b>42.0</b>                                   | <b>123.2</b>                               | <b>154.3</b>                            |

|   | The Company                                 |   | The Company                                |   |
|---|---|---|--|---|
|   | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Net profit attributable to equity holders         | (28,227)                                    | 70,878  | 445,689                                    | 782,575                                 |
| Weighted average number of ordinary shares ('000) | 1,147,516                                   | 1,052,768                                     | 1,106,355                                  | 1,052,768                               |
| <b>Basic earnings per share (Sen)</b>             | <b>(2.5)</b>                                | <b>6.7</b>                                    | <b>40.3</b>                                | <b>74.3</b>                             |

(b) Fully diluted earnings per share

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

|   | The Group                                   |   | The Group                                  |   |
|---|---|---|--|---|
|   | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Net profit attributable to equity holders         | 393,497                                     | 441,250                                       | 1,358,895                                  | 1,620,743                               |
| Weighted average number of ordinary shares ('000) |   |   |  |   |
| - during the year                                 | 1,143,552                                   | 1,050,486                                     | 1,102,947                                  | 1,050,486                               |
| - adjustment for ESOS                             | -   | 142   | -  | 142                                     |
|   | <u>1,143,552</u>                            | <u>1,050,628</u>                              | <u>1,102,947</u>                           | <u>1,050,628</u>                        |
| <b>Fully diluted earnings per share (Sen)</b>     | <b>34.4</b>                                 | <b>42.0</b>                                   | <b>123.2</b>                               | <b>154.3</b>                            |

|   | The Company                                 |   | The Company                                |   |
|---|---|---|--|---|
|   | Current quarter ended 30/06/2016<br>RM '000 | Last year quarter ended 30/06/2015<br>RM '000 | Current year to date 30/06/2016<br>RM '000 | Last year to date 30/06/2015<br>RM '000 |
| Net profit attributable to equity holders         | (28,227)                                    | 70,878  | 445,689                                    | 782,575                                 |
| Weighted average number of ordinary shares ('000) |   |   |  |   |
| - during the year                                 | 1,147,516                                   | 1,052,768                                     | 1,106,355                                  | 1,052,768                               |
| - adjustment for ESOS                             | -   | -   | -  | -                                       |
|   | <u>1,147,516</u>                            | <u>1,052,768</u>                              | <u>1,106,355</u>                           | <u>1,052,768</u>                        |
| <b>Fully diluted earnings per share (Sen)</b>     | <b>(2.5)</b>                                | <b>6.7</b>                                    | <b>40.3</b>                                | <b>74.3</b>                             |

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**18 Realised and unrealised profit**

|   | <b>The Group</b>                        |   |
|---|---|---|
|   | <b>As at<br/>30/06/2016<br/>RM '000</b> | <b>As at<br/>30/06/2015<br/>RM '000</b> |
| Total retained profits of the Group and its subsidiaries    |   |   |
| - Realised  | 20,263,354                              | 19,285,289                              |
| - Unrealised  | 908,372                                 | 1,161,592                               |
| Total share of retained profits from associated companies   |   |   |
| - Realised  | 2,356,783                               | 1,976,541                               |
| - Unrealised  | 2,574                                   | 1,759                                   |
| Total share of retained profits from joint ventures         |   |   |
| - Realised  | 47,698                                  | 26,647                                  |
|   | <u>23,578,781</u>                       | <u>22,451,828</u>                       |
| Less: Consolidation adjustments                             | (15,350,344)                            | (14,635,036)                            |
| Total Group's retained profits as per consolidated accounts | <u><u>8,228,437</u></u>                 | <u><u>7,816,792</u></u>                 |

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

Dated this 29th August 2016