

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	12,772,343	9,429,592
Deposits and placements with banks and other financial institutions	6,013,958	3,033,666
Securities purchased under resale agreements	336,003	4,056,670
Financial assets held-for-trading	9,453,437	8,524,673
Financial investments available-for-sale	35,163,362	35,767,092
Financial investments held-to-maturity	14,581,030	12,911,318
Derivative financial instruments	977,604	1,062,358
Loans, advances and financing	124,812,079	120,444,892
Clients' and brokers' balances	508,070	395,884
Other receivables	1,529,785	1,818,768
Statutory deposits with Central Banks	3,796,330	4,328,519
Tax recoverable	1,909	29,011
Investment in associates	4,321,625	3,982,091
Investment in joint ventures	169,185	145,183
Property and equipment	1,884,451	1,849,202
Goodwill	2,410,644	2,410,644
Intangible assets	230,588	284,971
<b>Total Assets</b>	<b>218,962,403</b>	<b>210,474,534</b>
<b><u>Liabilities</u></b>		
Deposits from customers	154,458,017	149,490,533
Deposits and placements of banks and other financial institutions	7,734,425	8,106,000
Obligations on securities sold under repurchase agreements	2,978,728	3,494,903
Bills and acceptances payable	364,675	350,455
Derivatives financial instruments	1,479,564	1,654,225
Clients' and brokers' balances	271,738	279,919
Payables and other liabilities	8,531,035	6,237,822
Recourse obligations on loans sold to Cagamas Berhad	202,926	-
Provision for claims	147,767	141,175
Provision for taxation	235,309	39,357
Deferred tax liabilities	302,517	202,237
Borrowings	1,526,222	3,191,919
Subordinated obligations	2,959,779	2,958,641
Innovative Tier 1 capital securities	515,623	521,512
Insurance funds	12,221,565	10,628,680
<b>Total Liabilities</b>	<b>193,929,890</b>	<b>187,297,378</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	1,147,517
Capital reserves	1,590,528	5,763,641
Retained profits	12,527,478	8,228,437
Fair value reserve	259,635	237,252
Treasury shares for ESOS	(35,712)	(35,712)
<b>Total shareholders' equity</b>	<b>16,608,937</b>	<b>15,341,135</b>
Non-controlling interests	8,423,576	7,836,021
<b>Total Equity</b>	<b>25,032,513</b>	<b>23,177,156</b>
<b>Total Liabilities and Equity</b>	<b>218,962,403</b>	<b>210,474,534</b>
<b>Commitment and Contingencies</b>		
	171,332,247	159,472,609
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	14.52	13.42

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017	quarter ended 30/06/2016	to date 30/06/2017	to date 30/06/2016
<b>THE GROUP</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	1,575,916	1,602,049	6,316,503	6,448,483
Interest expense	(859,169)	(943,068)	(3,494,848)	(3,807,541)
Net interest income	716,747	658,981	2,821,655	2,640,942
Net income from Islamic banking business	142,801	121,146	550,099	467,466
Non-interest income	413,516	426,370	1,662,808	1,434,920
Net income	1,273,064	1,206,497	5,034,562	4,543,328
Overhead expenses	(570,990)	(552,242)	(2,222,231)	(2,284,381)
Operating profit before allowances	702,074	654,255	2,812,331	2,258,947
(Allowance for)/Writeback of impairment losses on loans, advances and financing and other losses	(63,710)	51,119	(161,226)	(52,537)
Writeback of/(Allowance for) impairment losses	1,387	(23,115)	1,330	(43,480)
	639,751	682,259	2,652,435	2,162,930
Share of results of associated companies	123,883	100,312	416,361	381,057
Share of results of joint ventures	4,492	6,237	21,153	21,051
Profit before taxation	768,126	788,808	3,089,949	2,565,038
Taxation	(325,672)	(188,290)	(773,065)	(501,494)
Net profit for the financial year	442,454	600,518	2,316,884	2,063,544
Attributable to:				
Owners of the parent	258,794	393,497	1,506,765	1,358,895
Non-controlling interests	183,660	207,021	810,119	704,649
Net profit for the financial year	442,454	600,518	2,316,884	2,063,544
Earnings per share - basic (sen)	22.6	34.4	131.8	123.2
Earnings per share - fully diluted (sen)	22.6	34.4	131.8	123.2

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
<b>THE GROUP</b>				
Net profit for the financial year	442,454	600,518	2,316,884	2,063,544
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive (loss) /income of associated companies	(6,908)	(1,136)	(12,556)	7,426
Net fair value changes in financial investments available-for-sale	266,733	44,942	64,925	113,416
Net fair value changes in cash flow hedge	(435)	(562)	856	(2,477)
Currency translation differences	(94,309)	96,502	236,493	181,580
Income tax relating to components of other comprehensive income	(63,439)	(9,531)	(16,186)	(21,614)
Other comprehensive income for the financial year, net of tax	101,642	130,215	273,532	278,331
Total comprehensive income for the financial year, net of tax	544,096	730,733	2,590,416	2,341,875
Attributable to:				
Owners of the parent	323,024	481,763	1,688,064	1,547,606
Non-controlling interests	221,072	248,970	902,352	794,269
	544,096	730,733	2,590,416	2,341,875

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	7,721	9,620
Deposits and placements with banks and other financial institutions	8,400	8,400
Derivative financial instruments	-	80
Other receivables	39,221	687
Tax recoverable	1,685	2,729
Deferred tax assets	36	330
Investment in subsidiary companies	16,909,723	16,915,160
Property and equipment	1,418	1,729
Intangible assets	13	106
<b>Total Assets</b>	<b><u>16,968,217</u></b>	<b><u>16,938,841</u></b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	874	1,455
Payables and other liabilities	9,489	9,351
Borrowings	1,526,222	1,641,717
<b>Total Liabilities</b>	<b><u>1,536,585</u></b>	<b><u>1,652,523</u></b>
<b><u>Financed by:</u></b>		
Share capital	2,267,008	1,147,517
Capital reserves	254,991	1,374,482
Retained profits	12,909,636	12,764,322
Treasury shares for ESOS	(3)	(3)
<b>Total Equity</b>	<b><u>15,431,632</u></b>	<b><u>15,286,318</u></b>
<b>Total Liabilities and Equity</b>	<b><u>16,968,217</u></b>	<b><u>16,938,841</u></b>
<b>Commitment and Contingencies</b>	<b><u>100,000</u></b>	<b><u>200,000</u></b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017	quarter ended 30/06/2016	to date 30/06/2017	to date 30/06/2016
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	364	381	1,309	5,017
Interest expense	(12,876)	(14,548)	(59,086)	(54,357)
Net interest expense	(12,512)	(14,167)	(57,777)	(49,340)
Non-interest income	2,449	2,153	662,513	524,905
Net income	(10,063)	(12,014)	604,736	475,565
Overhead expenses	(6,866)	(4,890)	(21,327)	(15,204)
Allowance for impairment loss on subsidiary	-	(9,714)	-	(9,714)
Profit before taxation	(16,929)	(26,618)	583,409	450,647
Taxation	(461)	(1,609)	(2,039)	(4,958)
Net profit for the financial year	(17,390)	(28,227)	581,370	445,689
Earnings per share - basic (sen)	(1.5)	(2.5)	50.7	40.3
Earnings per share - fully diluted (sen)	(1.5)	(2.5)	50.7	40.3

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017	quarter ended 30/06/2016	to date 30/06/2017	to date 30/06/2016
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial year	(17,390)	(28,227)	581,370	445,689
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year, net of tax	(17,390)	(28,227)	581,370	445,689

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Share capital RM '000	Share premium RM '000	Statutory reserve RM '000	Other Capital reserve RM '000	Share options reserve RM '000	Fair value reserve RM '000	Cash flow hedge reserve RM '000	Regulatory reserve# RM '000	Exchange fluctuation reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total shareholders' equity RM '000	Non- controlling interests RM '000	Total equity RM '000
<b>THE GROUP</b>														
At 1 July 2016	1,147,517	1,119,491	3,310,501	134,870	10,205	237,252	(1,129)	602,335	587,368	8,228,437	(35,712)	15,341,135	7,836,021	23,177,156
<u>Comprehensive income</u>														
Net profit for the financial year	-	-	-	-	-	-	-	-	-	1,506,765	-	1,506,765	810,119	2,316,884
Currency translation differences	-	-	-	-	-	-	-	-	158,490	-	-	158,490	78,003	236,493
Share of other comprehensive loss of associates	-	-	-	-	-	(7,572)	-	-	-	-	-	(7,572)	(4,984)	(12,556)
Net fair value changes in financial investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
available-for-sale, net of tax	-	-	-	-	-	29,955	-	-	-	-	-	29,955	18,990	48,945
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	426	-	-	-	-	426	224	650
Total comprehensive income	-	-	-	-	-	22,383	426	-	158,490	1,506,765	-	1,688,064	902,352	2,590,416
<u>Transaction with owners</u>														
Transfer to retained profits	-	-	(3,310,501)	-	-	-	-	-	-	3,310,501	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	78,652	-	(78,652)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,284)	-	(4,284)	4,284	-
Dividends paid	-	-	-	-	-	-	-	-	-	(436,056)	-	(436,056)	-	(436,056)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(320,160)	(320,160)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	1,079	1,079
Option charge arising from ESS granted	-	-	-	-	21,157	-	-	-	-	-	-	21,157	-	21,157
Transfer pursuant to Companies Act 2016 *	1,119,491	(1,119,491)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of ESS	-	-	-	-	(1,933)	-	-	-	-	854	-	(1,079)	-	(1,079)
Transfer to other capital reserve	-	-	-	87	-	-	-	-	-	(87)	-	-	-	-
<b>At 30 June 2017</b>	<b>2,267,008</b>	<b>-</b>	<b>-</b>	<b>134,957</b>	<b>29,429</b>	<b>259,635</b>	<b>(703)</b>	<b>680,987</b>	<b>745,858</b>	<b>12,527,478</b>	<b>(35,712)</b>	<b>16,608,937</b>	<b>8,423,576</b>	<b>25,032,513</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
<u>Comprehensive income</u>														
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 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 income/(loss)	-	-	-	-	-	66,843	(1,235)	-	123,103	1,358,895	-	1,547,606	794,269	2,341,875
<u>Transaction with owners</u>														
Transfer to statutory reserves	-	-	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)
Non-controlling interests subscription of rights shares	-	-	-	-	-	-	-	-	-	-	-	-	1,004,625	1,004,625
Option charge arising from ESOS	-	-	-	-	10,205	-	-	-	-	-	-	10,205	-	10,205
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 other capital 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>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM669,742,000 (30 June: RM591,090,000) in accordance to BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June: RM11,245,000).

\* The new Companies Act, 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM1,119,491,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. Notwithstanding this provision, the company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,119,491,000 for purposes as set out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

<b><u>THE COMPANY</u></b>	<b>Share capital RM '000</b>	<b>Share premium RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total equity RM '000</b>
At 1 July 2016	1,147,517	1,119,491	254,991	12,764,322	(3)	15,286,318
Net profit for the financial year	-	-	-	581,370	-	581,370
Dividend paid	-	-	-	(436,056)	-	(436,056)
Transfer pursuant to the Companies Act, 2016 **	1,119,491	(1,119,491)	-	-	-	-
<b>At 30 June 2017</b>	<b>2,267,008</b>	<b>-</b>	<b>254,991</b>	<b>12,909,636</b>	<b>(3)</b>	<b>15,431,632</b>
At 1 July 2015	1,052,768	117,229	254,991	12,742,372	(2)	14,167,358
Net profit for the financial year	-	-	-	445,689	-	445,689
Dividend paid	-	-	-	(423,739)	-	(423,739)
Subscription of rights shares	-	-	-	-	(1)	(1)
Issue of share pursuant of 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>12,764,322</b>	<b>(3)</b>	<b>15,286,318</b>

\*\* The new Companies Act, 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM1,119,491,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. Notwithstanding this provision, the company may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account of RM1,119,491,000 for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	The Group		The Company	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	3,089,949	2,565,038	583,409	450,647
Adjustment for non-cash items	140,676	155,348	(597,129)	(454,488)
Operating profit before working capital changes	3,230,625	2,720,386	(13,720)	(3,841)
Income tax (paid)/refunded	(403,473)	(636,093)	(700)	3,924
Interest received	1,309	5,017	1,309	5,017
Changes in working capital				
Net changes in operating assets	(5,106,474)	3,964,706	(38,534)	(1,327)
Net changes in operating liabilities	6,623,330	6,427,562	138	(1,752)
Net cash generated from/(used in) operating activities	4,345,317	12,481,578	(51,507)	2,021

**Cash flow from investing activities**

Net purchases of financial investments available-for-sale	754,173	(5,972,198)	-	-
Net purchases of financial investments held-to-maturity	(1,669,486)	(1,959,611)	-	-
Interest received on financial investments				
available-for-sale and held-to-maturity	1,070,605	874,101	-	-
Purchase of intangible assets	(22,912)	(25,223)	(2)	(1)
Net purchase of property and equipment	(169,710)	(350,598)	(339)	(10)
Net proceeds from disposal of property and equipment	4,301	3,313	-	-
Dividends received from other investments	296,763	233,667	-	3,031
Dividends received from subsidiaries	-	-	655,150	513,534
Dividends received from associated companies	206,939	127,871	-	-
Dividends received from joint ventures companies	3,428	3,755	-	-
Subscription of redeemable preference shares	-	-	-	(15,684)
Subscription of right issue in subsidiary company	-	-	-	(1,903,501)
Proceeds from redemption of redeemable preference shares	-	-	5,437	1,920
Net cash generated/(used in) from investing activities	474,101	(7,064,923)	660,246	(1,400,711)

**Cash flow from financing activities**

Dividends paid to equity holders of the Company	(436,056)	(423,739)	(436,056)	(423,739)
Dividends paid to non-controlling interests	(320,160)	(267,593)	-	-
Purchase of treasury shares	-	(19,612)	-	-
Drawdown of revolving credit	65,000	305,000	65,000	305,000
(Redemption)/Issuance of medium term notes and commercial papers	(300,000)	375,000	(350,000)	375,000
Repayment of senior bonds	(1,323,150)	(1,241,100)	-	-
Repayment of Non-Innovative Tier 1 stapled securities	-	(1,400,000)	-	-
(Repayment)/Drawdown of term loans	(214,730)	95,000	170,000	95,000
Repayment of subordinated obligations	-	(2,185,000)	-	-
Net proceeds from rights issue	-	2,098,234	-	1,097,010
Interest paid on subordinated obligations	(116,335)	(188,840)	-	-
Interest paid on borrowings	(97,707)	(129,859)	(59,582)	(48,306)
Interest paid on non-innovative Tier 1 stapled securities	-	(70,893)	-	-
Interest paid on innovative Tier 1 capital securities	(33,727)	(31,143)	-	-
Interest expense on recourse obligations on loans sold to Cagamas	(3,851)	-	-	-
Net cash (used in)/generated from financing activities	(2,780,716)	(3,084,545)	(610,638)	1,399,965

**Changes in cash and cash equivalents**

**Effect of change in foreign exchange rate**

**Cash and cash equivalents as at 1 July**

**Cash and cash equivalents as at 30 June**

**Analysis of cash and cash equivalents**

Cash and short terms funds	12,772,343	9,429,592	7,721	9,620
Deposits and placements with banks and other financial institutions	6,013,958	3,033,666	8,400	8,400
	18,786,301	12,463,258	16,121	18,020
Less: Deposits and placements with banks and other financial institutions with original maturity of more than three months and restricted cash	(6,137,898)	(1,934,741)	(9,300)	(9,300)
	<b>12,648,403</b>	<b>10,528,517</b>	<b>6,821</b>	<b>8,720</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.*



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2017 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 2016. 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 2016.

The unaudited condensed financial statements incorporate the activities relating to the Islamic banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong MSIG Takaful Berhad ("HLMT") in compliance with Shariah principles.

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 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2016:

- (i)
  - Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
  - Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
  - Amendments to MFRS 127 'Equity method in separate financial statements'
  - Amendments to MFRS 10, 12 & 128 'Investment entities – Applying the consolidation exception'
  - Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above amendments to MFRSs are not expected to have impact on the financial results of the Group and the Company.

- (ii) The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- a) removal of the authorised share capital;
- b) shares of the Group and the Company will cease to have par or nominal value; and
- c) the Group and the Company's share premium account will become part of the Group's and Company's share capital.

The New Act, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM1,119,491,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. Notwithstanding this provision, the company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,119,491,000 for purposes as set out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the New Act does not have any financial impact on the Group and the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the year ending 30 June 2017.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**1. Basis of preparation** (continued)

(iii) Significant changes in regulatory requirements

BNM has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserve as dividends. BNM is considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

During the financial year, the Group have transferred RM3,310,501,000 from its statutory reserve to retained profit in accordance with BNM's requirements.

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 year. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2016**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2016.

**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 HLFGB for the financial year ended 30 June 2017 other than as mentioned below.

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

As at 30 June 2017, there is no outstanding options to be vested and exercised.

As at 30 June 2017, 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 2017, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 June 2017 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.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**7. Dividends paid**

Single-tier interim dividend of 13.0 sen per share amounting to RM149.2 million was paid on 23 December 2016.

Second interim single tier dividend of 25.0 sen per share amounting to RM286.9 million was paid on 23 June 2017.

**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 2017**

**8. Segmental reporting (continued)**

<b>The Group</b> <b>30 June 2017</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations/ Consolidation</b> <b>adjustments</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the year ended</b>						
External revenue	4,536,222	187,409	370,160	(59,229)	-	5,034,562
Intersegment revenue	14,426	14,604	3,922	668,053	(701,005)	-
	<u>4,550,648</u>	<u>202,013</u>	<u>374,082</u>	<u>608,824</u>	<u>(701,005)</u>	<u>5,034,562</u>
<b>Results for the year ended</b>						
Segment results	2,384,189	84,035	264,356	588,601	(668,746)	2,652,435
Share of results of associated companies						416,361
Share of results of joint ventures						21,153
Profit before taxation						<u>3,089,949</u>
Taxation						(773,065)
Net profit for the financial year						<u>2,316,884</u>
Non-controlling interests						(810,119)
Profit attributable to owners of the parent						<u><u>1,506,765</u></u>
<b>Other information</b>						
Segment assets	195,547,673	4,173,038	18,508,992	17,174,782	(16,442,082)	<u><u>218,962,403</u></u>
Segment liabilities	172,862,258	3,427,731	15,877,414	1,538,263	224,224	<u><u>193,929,890</u></u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**8. Segmental reporting (continued)**

<b>The Group</b> <b>30 June 2016</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations/ Consolidation</b> <b>adjustments</b> <b>RM'000</b>	<b>Consolidated</b> <b>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>210,474,534</u>
Segment liabilities	168,707,111	3,356,319	13,808,691	1,654,040	(228,783)	<u>187,297,378</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**9. Financial assets held-for-trading**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	-	119,332
Malaysian Government securities	475,794	239,083
Negotiable instruments of deposit	5,177,899	4,848,396
Malaysian Government investment certificates	715,133	320,952
Cagamas bonds	1,013	55,474
Other government securities	557,649	158,666
	<u>6,927,488</u>	<u>5,741,903</u>
Quoted securities:		
Shares in Malaysia	743,504	478,460
Shares outside Malaysia	71,073	66,899
Foreign currency bonds in Malaysia	195,592	488,718
Foreign currency bonds outside Malaysia	62,860	-
Unit trust investments	332,260	241,851
	<u>1,405,289</u>	<u>1,275,928</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	-	53,001
Foreign currency bonds outside Malaysia	53,087	134,406
Malaysia Government sukuk	191,394	-
Corporate bonds and sukuk	876,179	1,319,435
	<u>1,120,660</u>	<u>1,506,842</u>
Total financial assets held-for-trading	<u>9,453,437</u>	<u>8,524,673</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**10. Financial investments available-for-sale**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	-	69,206
Malaysian Government securities	1,367,665	1,040,565
Malaysian Government investment certificates	4,446,014	3,547,351
Khazanah bonds	406,904	334,686
Cagamas bonds	1,458,370	1,019,398
Other government securities	3,284,010	1,790,368
	<u>10,962,963</u>	<u>7,801,574</u>
Quoted securities:		
Shares in Malaysia	1,504,150	1,344,786
Shares outside Malaysia	114,374	135,991
Foreign currency bonds in Malaysia	3,056,104	3,606,238
Foreign currency bonds outside Malaysia	1,818,131	1,954,369
Unit trust investments	470,603	7,079,657
	<u>6,963,362</u>	<u>14,121,041</u>
Unquoted securities :		
Shares in Malaysia	457,132	425,319
Shares outside Malaysia	149,361	4,402
Foreign currency bonds in Malaysia	294,300	1,125,156
Foreign currency bonds outside Malaysia	862,710	468,925
Investment-linked funds	300	300
Malaysian Government sukuk	2,040,793	820,552
Corporate bonds and sukuk	13,432,441	10,999,823
	<u>17,237,037</u>	<u>13,844,477</u>
Total financial investments available-for-sale	<u><u>35,163,362</u></u>	<u><u>35,767,092</u></u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	57,367	54,922
Malaysian Government securities	2,764,747	3,403,858
Malaysian Government investment certificates	9,482,704	7,731,720
Cagamas bonds	-	30,356
Other Government securities	484,230	395,513
	<u>12,789,048</u>	<u>11,616,369</u>
Unquoted securities:		
Loan stocks	48	48
Malaysian Government sukuk	814,591	470,220
Corporate bonds and sukuk	697,481	667,159
Foreign currency bonds outside Malaysia	247,796	125,456
Redeemable preference shares	32,066	32,066
	<u>1,791,982</u>	<u>1,294,949</u>
Total financial investments held-to-maturity	<u><u>14,581,030</u></u>	<u><u>12,911,318</u></u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**12. Loans, advances and financing**

	The Group	
	As at 30/06/2017 RM '000	As at 30/06/2016 RM '000
Overdrafts	3,776,243	3,857,485
Term loans/financing:		
- Housing and shop loans/financing	65,998,057	60,462,347
- Syndicated term loan/financing	9,225,253	9,339,212
- Hire purchase receivables	18,159,364	18,682,098
- Other term loans/financing	8,135,246	8,605,184
Credit/charge card receivables	3,997,701	3,755,348
Bills receivable	1,081,635	1,107,690
Trust receipts	314,042	381,531
Claims on customers under acceptance credits	7,451,325	7,439,144
Revolving credits	6,611,688	6,757,003
Policy and premium loans	584,546	614,679
Staff loans/financing	146,737	164,914
Other loans/financing	486,255	425,856
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>
Fair value changes arising from fair value hedges	(34)	-
Unamortised fair value changes arising from terminated fair value hedges	(36)	(784)
Allowance for impaired loans, advances and financing:		
- Collective assessment allowance	(830,407)	(856,971)
- Individual assessment allowance	(325,536)	(289,844)
Total net loans, advances and financing	<u>124,812,079</u>	<u>120,444,892</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM184,571,114 (2016: RM Nil).

**(a) By type of customer**

	The Group	
	As at 30/06/2017 RM '000	As at 30/06/2016 RM '000
Domestic financial institutions	-	47
Domestic non-bank financial institutions	651,907	600,249
Domestic business enterprises		
- small and medium enterprises	20,377,345	19,246,622
- others	15,491,115	17,099,287
Government and statutory bodies	29,072	24,804
Individuals	82,063,090	77,670,558
Other domestic entities	79,052	75,714
Foreign entities	7,276,511	6,875,210
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>

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

	The Group	
	As at 30/06/2017 RM '000	As at 30/06/2016 RM '000
Fixed rate		
- Housing and shop loans/financing	4,753,971	2,604,404
- Hire purchase receivables	17,747,828	18,200,640
- Other fixed rate loan/financing	7,513,604	8,083,838
Variable rate		
- Base Rate/Base lending rate plus	78,636,505	75,993,221
- Cost plus	16,918,373	16,322,812
- Other variables rates	397,811	387,576
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

**(c) By economic purpose**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Purchase of securities	700,958	856,080
Purchase of transport vehicles	17,583,693	18,445,657
Purchase of landed properties		
- residential	56,861,181	51,510,277
- non-residential	15,774,407	14,986,782
Purchase of fixed assets (excluding landed properties)	379,050	434,041
Personal use	3,563,125	3,766,429
Credit card	3,997,701	3,755,348
Purchase of consumer durables	-	387
Construction	1,238,539	1,386,003
Mergers and acquisition	201,182	233,364
Working capital	23,216,086	23,529,783
Other purpose	2,452,170	2,688,340
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>

**(d) By geographical distribution**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Malaysia	119,382,844	115,965,819
Singapore	5,379,133	4,678,961
Hong Kong	-	34,168
Vietnam	397,813	387,576
Cambodia	808,302	525,967
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>

**(e) By residual contractual maturity**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Within one year	27,380,609	27,848,217
One year to less than three years	5,492,203	5,434,573
Three years to less than five years	10,265,641	10,710,736
Five years and more	82,829,639	77,598,965
Gross loans, advances and financing	<u>125,968,092</u>	<u>121,592,491</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**12. Loans, advances and financing (continued)**

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

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Purchase of securities	2,196	225
Purchase of transport vehicles	142,754	145,528
Purchase of landed properties		
- residential	307,234	233,566
- non-residential	133,296	99,145
Purchase of fixed assets (excluding landed properties)	3,332	22,872
Personal use	44,066	36,909
Credit card	48,005	44,308
Construction	7,209	9,138
Working capital	510,724	346,555
Other purpose	16,201	18,907
Gross impaired loans, advances and financing	1,215,017	957,153

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

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Malaysia	1,208,932	943,207
Singapore	471	5,601
Vietnam	5,098	8,345
Cambodia	516	-
Gross impaired loans, advances and financing	1,215,017	957,153

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

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
As at beginning of the financial year	957,153	948,583
Impaired during the financial year	1,824,594	1,572,187
Performing during the financial year	(821,519)	(798,443)
Amount written back in respect of recoveries	(336,403)	(338,880)
Amount written off	(407,656)	(426,490)
Exchange differences	(1,152)	196
As at end of the financial year	1,215,017	957,153
Gross impaired loan as a % of gross loans, advances and financing	1.0%	0.8%

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**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 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<u>Collective assessment allowance</u>		
As at beginning of the financial year	856,971	969,925
Net allowance made during the financial year	282,483	263,678
Amount transferred to individual assessment allowance	(729)	(109)
Amount written off	(298,120)	(365,615)
Unwinding income	(10,732)	(11,465)
Exchange differences	534	557
As at end of the financial year	<u>830,407</u>	<u>856,971</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	289,844	323,071
Net allowance made during the financial year	162,679	57,180
Amount transferred from collective assessment allowance	729	109
Amount transfer to allowance for impairment losses on securities	-	(2,566)
Amount written back in respect of recoveries	(46,433)	(61,626)
Amount written off	(72,260)	(22,014)
Unwinding income	(8,741)	(4,404)
Exchange differences	(282)	94
As at end of the financial year	<u>325,536</u>	<u>289,844</u>

**13. Other receivables**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Investment properties	2,030	1,940
Foreclosed properties	46	46
Sundry debtors and other prepayments	181,987	337,397
Treasury related receivable	457,935	629,659
Fee income receivable	16,076	7,743
Cash collateral pledged for derivative transactions	676,156	684,890
Other receivables	195,555	157,093
	<u>1,529,785</u>	<u>1,818,768</u>
	<b>The Company</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Amount due from subsidiary companies	38,645	48
Sundry debtors and other prepayments	349	410
Other receivables	227	229
	<u>39,221</u>	<u>687</u>

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**14. Deposits from customers**

**(a) By type of deposits**

	The Group	
	As at	As at
	30/06/2017	30/06/2016
	RM '000	RM '000
<b>At amortised cost</b>		
Fixed deposits	88,216,001	85,737,639
Short-term placements	18,312,314	16,429,616
Negotiable instruments of deposits	5,713,184	7,816,740
	<u>112,241,499</u>	<u>109,983,995</u>
Demand deposits	21,186,820	20,559,745
Savings deposits	17,531,603	16,581,413
Others	1,017,170	943,461
Gross deposits from customers	<u>151,977,092</u>	<u>148,068,614</u>
<b>At fair value through profit and loss</b>		
Callable range accrual notes	2,442,012	1,442,912
Callable inverse floater, at cost	155,851	-
Fair value changes arising from designation at fair value through profit or loss*	(116,938)	(20,993)
Total net deposits from customers	<u>154,458,017</u>	<u>149,490,533</u>

\*Note:

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

The 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
	30/06/2017	30/06/2016
	RM '000	RM '000
Government and statutory bodies	3,395,343	2,891,538
Business enterprises	62,087,439	62,776,728
Individuals	86,196,444	81,366,305
Others	2,778,791	2,455,962
Net deposits from customers	<u>154,458,017</u>	<u>149,490,533</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
	30/06/2017	30/06/2016
	RM '000	RM '000
Due within six months	93,035,057	90,130,671
More than six months to one year	17,382,345	16,791,342
More than one year to five years	1,824,097	3,044,069
More than five years	-	17,913
	<u>112,241,499</u>	<u>109,983,995</u>

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

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Licensed banks and investment banks	6,312,662	6,842,865
Other financial institutions	1,421,763	1,263,135
	<u>7,734,425</u>	<u>8,106,000</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>7,734,425</u>	<u>8,106,000</u>

**16. Payables and other liabilities**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Trade payables	2,333,872	1,964,896
Loan advance payment	2,987,067	2,641,139
Post employment benefits obligations - defined contribution plan	1,819	1,774
Treasury and cheque clearing	129,556	163,202
Treasury related payables	235,295	189,958
Sundry creditors and accruals	332,197	560,146
Provision for bonus and staff related expenses	207,627	151,062
Financial liabilities due to third party investors *	1,773,647	-
Others	529,955	565,645
	<u>8,531,035</u>	<u>6,237,822</u>
	<b>The Company</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Sundry creditors and accruals	1,276	1,462
Provision for bonus and staff related expenses	8,169	7,846
Post employment benefits obligations - defined contribution plan	44	43
	<u>9,489</u>	<u>9,351</u>

\* Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 'Consolidated financial statements'.

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**17. Interest income**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
Loans, advances and financing	1,153,570	1,172,167	4,640,525	4,665,092
Money at call and deposit placements with financial institutions	33,453	39,952	126,591	193,360
Securities purchased under resale agreements	220	27,292	35,504	145,767
Financial assets held-for-trading	97,282	127,203	423,645	554,361
Financial investments available-for-sale	184,328	144,188	687,883	548,827
Financial investments held-to-maturity	100,019	87,035	382,722	325,274
Others	7,044	4,212	19,633	15,802
	<u>1,575,916</u>	<u>1,602,049</u>	<u>6,316,503</u>	<u>6,448,483</u>
Of which:				
Interest income earned on impaired loans, advances and financing	35,021	13,254	53,446	49,997

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
Money at call and deposit placements with financial institutions	173	381	1,118	5,017
Others	191	-	191	-
	<u>364</u>	<u>381</u>	<u>1,309</u>	<u>5,017</u>

**18. Interest expense**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
Deposits and placements of banks and other financial institutions	37,972	22,638	120,048	96,216
Deposits from other customers	670,760	764,140	2,780,108	3,000,705
Short term placements	90,546	84,365	322,177	307,746
Borrowings	14,783	20,928	91,488	126,718
Subordinated obligations	29,247	33,376	117,473	171,079
Recourse obligation on loans sold to Cagamas	1,895	-	6,727	-
Non-innovative Tier 1 stapled securities	-	6,588	-	60,024
Innovative Tier 1 capital securities	9,020	8,312	35,362	32,652
Others	4,946	2,721	21,465	12,401
	<u>859,169</u>	<u>943,068</u>	<u>3,494,848</u>	<u>3,807,541</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
Borrowings	12,732	14,440	58,631	53,786
Others	144	108	455	571
	<u>12,876</u>	<u>14,548</u>	<u>59,086</u>	<u>54,357</u>

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**19. Non-Interest Income**

	The Group		The Group	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Net income from insurance business	75,178	88,008	280,699	214,705
Net brokerage and commissions from stockbroking business	11,192	12,871	60,368	58,165
Net unit trust and asset management income	7,868	5,550	27,260	20,750
Fee income:				
Commissions	39,331	34,898	147,075	139,557
Service charges and fees	12,342	12,825	50,262	51,963
Guarantee fees	3,410	4,457	13,663	17,219
Credit card related fees	55,742	71,951	236,211	256,917
Corporate advisory fees	1,261	1,961	7,744	7,212
Commitment fees	8,591	8,376	34,916	34,624
Fee on loans, advances and financing	8,390	14,504	49,046	56,944
Placement fees	8,909	1,553	12,451	9,001
Arranger fees	3,303	4,780	9,633	15,428
Other fee income	36,820	10,668	118,374	80,057
	178,099	165,973	679,375	668,922
Net realised gain/(loss) arising from sale/redemption of financial assets:				
Net gain from sale of financial assets held-for-trading	16,747	27,649	19,033	54,224
Net gain from sale of financial investments available-for-sale	49,927	63,743	74,568	103,435
Net gain from redemption of financial investments held-to-maturity	76	-	226	31
Net gain/(loss) from sale of derivatives financial instruments	26,699	21,440	49,482	(19,444)
	93,449	112,832	143,309	138,246
Gross dividend income from:				
Financial assets held-for-trading	792	1,996	2,740	7,151
Financial investments available-for-sale	79,511	75,674	294,023	226,516
	80,303	77,670	296,763	233,667
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(152)	(27,617)	(352)	(13,444)
Derivatives financial instruments	(54,844)	(7,045)	80,896	(87,006)
	(54,996)	(34,662)	80,544	(100,450)
Amortisation of fair value changes arising from terminated fair value hedges	(74)	(42)	(115)	(519)
Net gain/(loss) on fair value changes arising from fair value hedges	34	-	(3)	-
Other income:				
Foreign exchange gain	20,369	(4,773)	75,366	184,139
Rental income	1,170	1,801	4,058	9,051
Gain on disposal of property and equipment (net)	23	13	1,295	1,967
Other non-operating income	901	1,129	13,889	6,277
	22,463	(1,830)	94,608	201,434
Total non-interest income	413,516	426,370	1,662,808	1,434,920

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

	The Company		The Company	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Fee income:				
Management fees	2,606	2,343	6,847	10,410
Net gain from sale of financial assets held-for-trading	-	-	-	16
Net gain/(loss) from sale of derivatives financial instruments	-	673	(80)	(1,237)
Gross dividend income from:				
Financial assets held-for-trading	-	-	-	3,031
Subsidiary companies	-	-	655,150	513,534
Net unrealised (loss)/gain on revaluation of:				
Derivatives financial instruments	(157)	(854)	581	(1,038)
Other income	-	(9)	15	189
Total non-interest income	2,449	2,153	662,513	524,905

**20. Overhead expenses**

	The Group		The Group	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonus	282,836	285,629	1,131,380	1,065,972
- Mutual separation scheme (MSS) *	-	406	-	172,064
- Medical expenses	14,023	9,169	35,302	31,672
- Training and convention expenses	7,801	8,072	29,528	33,566
- Staff welfare	2,789	1,111	12,107	7,995
- Others	14,396	12,917	49,279	48,184
	321,845	317,304	1,257,596	1,359,453
<u>Establishment costs</u>				
- Depreciation of property and equipment	27,495	27,703	101,045	93,119
- Amortisation of intangible assets	20,634	19,737	81,351	78,308
- Rental of premises	21,836	23,092	90,034	93,458
- Information technology expenses	42,588	26,415	159,122	120,382
- Security services	7,712	8,079	28,451	27,686
- Electricity, water and sewerage	6,446	8,916	25,034	27,408
- Hire of plant and machinery	3,679	3,514	14,588	15,472
- Others	5,654	5,584	23,674	22,314
	136,044	123,040	523,299	478,147
<u>Marketing expenses</u>				
- Advertisement and publicity	10,645	2,357	36,054	31,412
- Credit card related fees	27,954	28,894	108,998	119,434
- Others	5,550	7,389	21,092	22,538
	44,149	38,640	166,144	173,384
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,285	4,121	18,925	14,665
- Stationery and printing expenses	5,624	5,011	18,098	18,332
- Professional fees	23,381	21,563	77,153	71,566
- Insurance fees	10,115	9,409	40,175	38,125
- Credit card fees	10,489	8,953	39,601	36,587
- Travelling and transport expenses	1,033	1,330	4,300	4,924
- Registration and license fees	2,461	2,418	10,077	9,667
- Brokerage and commission	1,776	1,818	6,747	6,897
- Stamp, postage and courier	4,874	6,600	19,842	22,010
- Others	3,914	12,035	40,274	50,624
	68,952	73,258	275,192	273,397
	570,990	552,242	2,222,231	2,284,381

\* Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad had implemented a MSS in 2016 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 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,126	3,060	14,300	8,721
- Medical expenses	17	22	79	96
- Training and convention expenses	6	1	15	23
- Staff welfare	146	139	537	397
- Others	183	166	667	594
	<u>5,478</u>	<u>3,388</u>	<u>15,598</u>	<u>9,831</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	161	164	650	656
- Amortisation of intangible assets	14	27	95	108
- Rental of premises	190	190	760	729
- Electricity, water and sewerage	11	13	45	43
- Hire of machinery	8	11	31	36
- Others	119	418	304	641
	<u>503</u>	<u>823</u>	<u>1,885</u>	<u>2,213</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	6	8	29	31
- Stationery and printing expenses	6	7	20	36
- Professional fees	76	20	888	575
- Management fees	563	483	2,251	2,171
- Travelling and transport expenses	13	13	112	42
- Others	221	148	544	305
	<u>885</u>	<u>679</u>	<u>3,844</u>	<u>3,160</u>
	<u>6,866</u>	<u>4,890</u>	<u>21,327</u>	<u>15,204</u>

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

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2017 RM '000	quarter ended 30/06/2016 RM '000	to date 30/06/2017 RM '000	to date 30/06/2016 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance/(writeback)	79,022	10,738	116,246	(4,446)
- Collective assessment allowance/(writeback)	53,175	(2,958)	282,483	263,678
Allowance for/(Writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment (writeback)/allowance	(53)	(86)	135	(79)
- Collective assessment allowance/(writeback)	12	(6)	11	(6)
Allowance for impairment losses on other assets				
- Individual assessment allowance	181	-	987	-
Impaired loans and financing:				
- written off	5,951	5,226	22,520	22,048
- recovered	(74,578)	(64,033)	(261,156)	(228,658)
	<u>63,710</u>	<u>(51,119)</u>	<u>161,226</u>	<u>52,537</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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
<b>Before deducting proposed dividends</b>						
CET I capital ratio	13.788%	13.176%	13.078%	12.493%	29.744%	29.202%
Tier I capital ratio	14.193%	13.577%	13.556%	12.961%	29.744%	29.202%
Total capital ratio	16.280%	15.104%	15.997%	14.858%	33.912%	33.576%
<b>After deducting proposed dividends</b>						
CET I capital ratio	13.286%	12.745%	12.486%	11.991%	25.398%	24.986%
Tier I capital ratio	13.691%	13.146%	12.964%	12.458%	25.398%	24.986%
Total capital ratio	15.779%	14.673%	15.405%	14.355%	29.566%	29.360%

(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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	7,739,063	2,167,718	7,739,063	2,167,718	252,950	165,000
Share premium	-	5,571,345	-	5,571,345	-	87,950
Retained profit	13,560,582	8,412,365	10,245,205	6,035,024	246,910	36,357
Other reserves	1,265,223	4,939,875	422,954	3,727,869	648	199,404
Less: Treasury shares	(733,961)	(735,040)	(733,961)	(735,040)	-	-
Less: Other intangible assets	(213,323)	(264,766)	(194,870)	(246,784)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,796)	(34,379)
Less: Deferred tax assets	(4,851)	(3,957)	-	-	(90,153)	(91,882)
Less: Investment in subsidiary companies/ associated company/joint venture	(2,908,861)	(1,993,586)	(2,148,516)	(1,531,798)	(160)	(217)
Total CET I capital	16,872,560	16,262,642	13,558,328	13,216,787	376,399	362,233
<b>Additional Tier I capital</b>						
Innovative Tier I capital securities	495,778	494,142	495,778	494,142	-	-
Total additional Tier I capital	495,778	494,142	495,778	494,142	-	-
Total Tier I capital	17,368,338	16,756,784	14,054,106	13,710,929	376,399	362,233

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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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Collective assessment allowance ^ and regulatory reserves #	1,281,686	1,214,681	1,067,705	1,029,079	2,783	4,394
Subordinated obligations	1,999,723	1,999,411	1,999,723	1,999,411	50,000	50,000
Tier II capital before regulatory adjustments	3,281,409	3,214,092	3,067,428	3,028,490	52,783	54,394
Less: Investment in subsidiary companies/ associated company/joint venture	(727,215)	(1,329,057)	(537,129)	(1,021,198)	(40)	(144)
Total Tier II capital	2,554,194	1,885,035	2,530,299	2,007,292	52,743	54,250
<b>Total capital</b>	<b>19,922,532</b>	<b>18,641,819</b>	<b>16,584,405</b>	<b>15,718,221</b>	<b>429,142</b>	<b>416,483</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 RM667,238,000 (2016: RM587,527,000), Hong Leong Bank Berhad of RM571,678,000 (2016: RM495,008,000) and Hong Leong Investment Bank Berhad of RM2,504,000 (2016: RM3,563,000) 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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	111,299,987	111,838,090	93,397,418	95,233,431	461,963	520,091
Market risk	3,115,525	3,951,986	3,340,119	3,857,577	517,433	416,042
Operational risk	7,958,340	7,633,295	6,934,552	6,698,869	286,064	304,287
Total RWA	122,373,852	123,423,371	103,672,089	105,789,877	1,265,460	1,240,420

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

	Hong Leong Islamic Bank	
	30/06/2017	30/06/2016
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.622%	10.383%
Tier I capital ratio	10.622%	10.383%
Total capital ratio	13.946%	13.855%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.622%	10.383%
Tier I capital ratio	10.622%	10.383%
Total capital ratio	13.946%	13.855%

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**23. Events after Balance Sheet date**

There are no materials events subsequent to the end of the financial year ended 30 June 2017.

**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) Wah Tat Nominees (Asing) Sdn Bhd, a wholly-owned subsidiary of WTB Corporation Sdn Bhd, was dissolved on 6 April 2017.
- (b) Prominic Berhad, a wholly-owned subsidiary of HLB, was dissolved on 17 May 2017.

**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>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	82,785	121,679
Certain transaction related contingent items	1,391,111	1,621,014
Short-term self liquidating trade related contingencies	780,216	766,350
Obligations under underwriting agreement	130,000	-
Irrevocable commitments to extend credit:		
- less than one year	16,098,253	17,515,111
- more than one year	13,257,147	16,125,773
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	661,322	686,780
Foreign exchange related contracts		
- less than one year	37,699,553	30,866,808
- one year to less than five years	3,758,574	4,950,940
- five years and above	1,260,525	895,329
Interest rate related contracts		
- less than one year	45,167,380	35,439,838
- one year to less than five years	37,794,681	39,926,819
- five years and above	5,807,786	2,532,411
Equity related contracts		
- less than one year	155,471	296,489
- one year to less than five years	286,187	219,299
Commodity related contracts		
- less than one year	-	4,949
Unutilised credit card lines	7,001,256	7,503,020
<b>Total</b>	<b>171,332,247</b>	<b>159,472,609</b>

	<b>The Company</b>	
	<b>30/06/2017</b>	<b>30/06/2016</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	100,000
	<b>100,000</b>	<b>200,000</b>

- 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 2017 (30 June 2016: 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 June 2017</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	6,927,488	-	6,927,488
- Quoted securities	1,405,289	-	-	1,405,289
- Unquoted securities	-	1,120,660	-	1,120,660
Financial investments available-for-sale				
- Money market instruments	-	10,962,963	-	10,962,963
- Quoted securities	6,963,362	-	-	6,963,362
- Unquoted securities	-	16,779,885	457,152	17,237,037
Derivative financial instruments	18	969,018	8,568	977,604
	<u>8,368,669</u>	<u>36,760,014</u>	<u>465,720</u>	<u>45,594,403</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	1,228	1,469,768	8,568	1,479,564
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,950,693</u>	<u>8,568</u>	<u>3,960,489</u>
<b>30 June 2016</b>				
<b><i>Recurring fair value measurements</i></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	1,564	1,644,666	7,995	1,654,225
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,421,919	-	1,421,919
	<u>1,564</u>	<u>3,066,585</u>	<u>7,995</u>	<u>3,076,144</u>

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting year 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 2016 - RM Nil).

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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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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**30 June 2017**

**Recurring fair value measurements**

**Financial liabilities**

Derivative financial instruments	-	874	-	874
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**30 June 2016**

**Recurring fair value measurements**

**Financial assets**

Derivative financial instruments	-	80	-	80
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**Financial liabilities**

Derivative financial instruments	-	1,455	-	1,455
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Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>			
<b>30 June 2017</b>			
As at beginning of the financial year	429,720	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchases	-	7,582	7,582
Disposal	(53)	-	-
Settlements	-	(14,306)	(14,306)
Transfer out from Level 3	(4,329)	-	-
As at end of the financial year	457,152	8,568	8,568
Fair value changes recognised in statement of income relating to assets/liability held on 30 June 2017	-	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	-	-

During the financial year ended 30 June 2017, the Group transferred certain financial instruments (mainly shares outside Malaysia) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to upliftment of conversion restriction whereby certain shares are now convertible to Class A shares which are currently listed on the New York Stock Exchange. Thus, these shares can now be reliably measured based on observable inputs under Level 2.

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments 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	-	-



**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**1 Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM768.1 million for the current quarter ended 30 June 2017 as compared to RM788.8 million in the previous corresponding quarter, a decrease of RM20.7 million or 2.6%. The decrease was mainly due to lower contribution from the commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM680.0 million for the current quarter ended 30 June 2017 as compared to RM724.4 million in the previous corresponding quarter, a decrease of RM44.4 million or 6.1%. The decrease was mainly due to higher operating expenses of RM21.4 million, higher allowance for impairment losses on loans, advances and financing of RM115.0 million and higher allowance for impairment losses from securities of RM1.3 million. This was however offset by higher revenue of RM73.0 million and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM20.3 million.

HLA Holdings Group recorded a profit before tax of RM92.6 million for the current quarter ended 30 June 2017 as compared to RM75.2 million in the previous corresponding quarter, an increase of RM17.4 million or 23.1%. The increase was mainly due to a higher revenue of RM12.0 million, lower allowance for impairment losses on securities of RM19.8 million, higher share of profit from associated company of RM1.5 million and lower operating expenses of RM0.3 million. This is however offset by lower life fund surplus of RM16.2 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 30 June 2017 as compared to RM15.7 million in the previous corresponding quarter, an increase of RM2.7 million or 17.2%. This was mainly due to higher contribution from the investment banking, stockbroking and asset management divisions.

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

HLFG Group recorded a profit before tax of RM3,089.9 million for the year ended 30 June 2017 as compared to RM2,565.0 million last year, an increase of RM524.9 million or 20.5%. Excluding the one-off MSS expense last year, the Group PBT increased by RM352.8 million or 12.9%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,748.3 million for the year ended 30 June 2017 as compared to RM2,381.7 million last year, an increase of RM366.6 million or 15.4%. Excluding the one-off MSS expense last year, HLB Group PBT increased by RM194.5 million or 7.6%. The increase was due to higher revenue of RM372.8 million, lower operating expenses of RM79.3 million (inclusive of MSS expense last year) and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM30.7 million. This was however offset by higher allowance for impairment losses on loans, advances and financing of RM108.6 million and higher allowance for impairment losses from securities of RM7.6 million.

HLA Holdings Group recorded a profit before tax of RM337.8 million for the year ended 30 June 2017 as compared to RM197.5 million last year, an increase of RM140.3 million or 71.0%. The increase was mainly due to higher life fund surplus of RM61.3 million, higher revenue of RM45.2 million, lower allowance for impairment losses on securities of RM40.5 million and higher share of profit from an associated company of RM4.6 million. This was however offset by higher operating expenses of RM11.3 million.

Hong Leong Capital Group recorded a profit before tax of RM84.0 million for the year ended 30 June 2017 as compared to RM64.5 million last year, an increase of RM19.5 million or 30.2%. This was mainly due to higher contribution from the investment banking, stockbroking and asset management divisions.

**3 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM768.1 million for the current quarter ended 30 June 2017 as compared to RM763.8 million in the preceding quarter, a decrease of RM4.3 million or 0.6%. The decrease was mainly due to lower contribution from the commercial banking and investment banking divisions.

Hong Leong Bank Group recorded a profit before tax of RM680.0 million for the current quarter ended 30 June 2017 as compared to RM697.0 million in the preceding quarter, a decrease of RM17.0 million or 2.4%. The decrease was mainly due to lower share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM12.1 million, higher allowance for impairment losses on securities of RM1.2 million, higher allowance for impairment losses on securities of RM17.6 million and higher operating expenses of RM14.4 million. This was however offset by higher revenue of RM28.3 million.

HLA Holdings Group recorded a profit before tax of RM92.6 million for the current quarter ended 30 June 2017 as compared to RM56.0 million in the preceding quarter, an increase of RM36.6 million or 65.4%. The increase was mainly due to higher life fund surplus of RM29.8 million, higher revenue of RM13.4 million and higher share of profit from associated company of RM6.1 million. This was however offset by lower operating expenses of RM12.7 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 30 June 2017 as compared to RM25.8 million in the preceding quarter, a decrease of RM7.4 million or 28.7%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**4 Prospects for the next financial year**

Barring unforeseen circumstances, the Group is expected to maintain its 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 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Malaysian income tax	76,587	171,484	538,696	484,693
Transfer from deferred tax	82,670	9,202	65,825	8,625
	<u>159,257</u>	<u>180,686</u>	<u>604,521</u>	<u>493,318</u>
Prior year over provision				
- Malaysia	166,415	7,604	168,544	8,176
	<u>325,672</u>	<u>188,290</u>	<u>773,065</u>	<u>501,494</u>

The effective tax rate for the Group is higher than the statutory rate of taxation mainly due to additional one-off assessments raised by Lembaga Hasil Dalam Negeri in respect of prior years tax of RM206.3 mil of which RM101.8 mil is in respect of additional assessment raised on HLB's prior years taxes and RM104.5 mil being additional assessment raised on HLA Holdings Berhad.

	The Company		The Company	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Malaysian income tax	468	82	1,770	3,200
Transfer from deferred tax	18	1,609	294	1,840
	<u>486</u>	<u>1,691</u>	<u>2,064</u>	<u>5,040</u>
Prior year under provision				
- Malaysia	(25)	(82)	(25)	(82)
	<u>461</u>	<u>1,609</u>	<u>2,039</u>	<u>4,958</u>

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

**7 Sale of properties/unquoted investments**

There 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 year under review other than those purchased or disposed in the ordinary course of business.

**9 Status of corporate proposals**

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

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

		<b>The Group</b>	
		<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
	Note		
Revolving credit	(i)	370,197	305,450
Commercial papers	(ii)	149,707	349,347
Medium term notes	(ii)	656,088	756,286
Term loans/bridging loan	(iii)	350,230	565,193
Senior bonds	(iv)	-	1,215,643
		<u>1,526,222</u>	<u>3,191,919</u>
Repayment of revolving credit			
- less than one year		370,197	305,450
Repayment of commercial papers			
- less than one year		149,707	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		402,775	352,528
- three years and above		253,313	253,274
Repayment of term loans/bridging loan			
- less than one year		350,230	10,463
- one to five years		-	554,730
Repayment of senior bonds			
- less than one year		-	1,215,643
		<u>1,526,222</u>	<u>3,191,919</u>
		<b>The Company</b>	
		<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
	Note		
Revolving credit	(i)	370,197	305,450
Commercial papers	(ii)	149,707	349,347
Medium term notes	(ii)	656,088	806,457
Term loans	(iii)	350,230	180,463
		<u>1,526,222</u>	<u>1,641,717</u>
Repayment of revolving credit			
- less than one year		370,197	305,450
Repayment of commercial papers			
- less than one year		149,707	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		402,775	402,705
- three years and above		253,313	253,268
Repayment of term loans			
- less than one year		350,230	10,463
- one to three years		-	170,000
		<u>1,526,222</u>	<u>1,641,717</u>

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**10 Borrowings (continued)**

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.40% to 3.84% (30 June 2016: ranging from 3.64% to 3.92%) 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 3.38% to 3.75% (30 June 2016: 3.58% to 3.86%).

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 4.50% to 4.80% (30 June 2016: 4.30% to 4.80%) 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 RM150 million maturing on 11 January 2018. The term loan with one month interest period bears an interest rate ranging from 3.51% to 3.88% (30 June 2016: 3.70% to 3.92%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2017. The term loan with one month interest period bears an interest rate ranging from 3.51% to 3.88% (30 June 2016: 3.70% to 3.92%) per annum.

- (iv) The Group has the following senior bonds:

	Note	The Group	
		As at 30/06/2017 RM '000	As at 30/06/2016 RM '000
USD 300 million senior bonds, at par	(a)	-	919,200
Foreign exchange translations		-	290,550
		-	1,209,750
Add: Interest payable		-	7,561
		-	1,217,311
Less: Unamortised discounts		-	(1,668)
		-	1,215,643

- (a) 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%.

On 19 April 2017, HLB had fully redeemed the Senior Notes of USD300.0 million on its maturity date.

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**11 Subordinated obligations**

	Note	The Group	
		As at 30/06/2017 RM '000	As at 30/06/2016 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000
Add: Interest payable		1,664	1,480
		<u>1,501,664</u>	<u>1,501,480</u>
Less: Unamortised discounts		(277)	(589)
		<u>1,501,387</u>	<u>1,500,891</u>
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000
Add: Interest payable		8,815	8,692
		<u>508,815</u>	<u>508,692</u>
Less: Unamortised discounts		(1,443)	(1,620)
		<u>507,372</u>	<u>507,072</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000
Add: Profit payable		631	736
		<u>400,631</u>	<u>400,736</u>
Less: Unamortised discounts		(128)	(254)
		<u>400,503</u>	<u>400,482</u>
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000
Add: Interest payable		526	526
		<u>500,526</u>	<u>500,526</u>
Less: Unamortised discounts		(271)	(577)
		<u>500,255</u>	<u>499,949</u>
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000
Add: Interest payable		392	407
		<u>50,392</u>	<u>50,407</u>
Less: Unamortised discounts		(130)	(160)
		<u>50,262</u>	<u>50,247</u>
		<u>2,959,779</u>	<u>2,958,641</u>

(a) 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.

(b) 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 2014, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2014, the HLA completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

(c) 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 extend 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.

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**11 Subordinated obligations (continued)**

(d) 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.

(e) 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 HLFGB, 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.

**12 Innovative Tier 1 capital securities**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 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	(4,223)	(5,858)
Add: Fair value adjustments on completion of business combination accounting	7,075	14,599
	515,623	521,512

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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**13 Off-Balance Sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 June 2017

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	25,921,762	239,561	(271,730)
(ii) 1 year to 3 years	23,617	85	-
(ii) More than 3 years	218,695	5,520	(24,616)
- Swaps			
(i) Less than 1 year	8,545,197	213,147	(333,716)
(ii) 1 year to 3 years	2,823,719	120,831	(334,551)
(iii) More than 3 years	1,953,068	136,419	(56,466)
- Options			
(i) Less than 1 year	3,232,594	19,762	(17,012)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	29,257,607	355	(1,228)
- Swaps			
(i) Less than 1 year	15,823,888	12,730	(13,499)
(ii) 1 year to 3 years	22,862,048	111,743	(165,374)
(iii) More than 3 years	20,654,534	108,165	(236,080)
- Cross currency swaps			
(i) Less than 1 year	85,885	46	(16,371)
(ii) 1 year to 3 years	85,885	37	(353)
Equity related contracts			
(i) Less than 1 year	155,471	410	(410)
(ii) 1 year to 3 years	250,143	4,238	(4,238)
(iii) More than 3 years	36,044	4,555	(3,920)
<b>Total</b>	<b>131,930,157</b>	<b>977,604</b>	<b>(1,479,564)</b>

**The Company**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	100,000	-	(874)
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>(874)</b>

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

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

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	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 RM'000	Fair Value	
		Assets RM'000	Liabilities 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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**13 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 RM115,444,000 (FYE June 2016: RM98,374,000) and RM85,460,579,000 (FYE June 2016: RM76,308,873,000) 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 RM1,014,653,000 (FYE June 2016: RM1,031,400,000). 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.

### 13 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.

### 14 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.

### 15 HLFM Dividends

For the financial year ended 30 June 2017, a total single-tier dividend of 38 sen per share was declared and paid (30 June 2016: 38 sen per share).

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**16 Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Net profit attributable to equity holders	258,794	393,497	1,506,765	1,358,895
Weighted average number of ordinary shares ('000)	1,143,552	1,143,552	1,143,552	1,102,947
<b>Basic earnings per share (Sen)</b>	<u>22.6</u>	<u>34.4</u>	<u>131.8</u>	<u>123.2</u>

	The Company		The Company	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Net profit attributable to equity holders	(17,390)	(28,227)	581,370	445,689
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,106,355
<b>Basic earnings per share (Sen)</b>	<u>(1.5)</u>	<u>(2.5)</u>	<u>50.7</u>	<u>40.3</u>

(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 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Net profit attributable to equity holders	258,794	393,497	1,506,765	1,358,895
Weighted average number of ordinary shares ('000) - during the year	1,143,552	1,143,552	1,143,552	1,102,947
<b>Fully diluted earnings per share (Sen)</b>	<u>22.6</u>	<u>34.4</u>	<u>131.8</u>	<u>123.2</u>

	The Company		The Company	
	Current quarter ended 30/06/2017 RM '000	Last year quarter ended 30/06/2016 RM '000	Current year to date 30/06/2017 RM '000	Last year to date 30/06/2016 RM '000
Net profit attributable to equity holders	(17,390)	(28,227)	581,370	445,689
Weighted average number of ordinary shares ('000) - during the year	1,147,516	1,147,516	1,147,516	1,106,355
<b>Fully diluted earnings per share (Sen)</b>	<u>(1.5)</u>	<u>(2.5)</u>	<u>50.7</u>	<u>40.3</u>

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**17 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 30/06/2017 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	25,419,231	20,418,733
- Unrealised	972,893	908,372
Total share of retained profits from associated companies		
- Realised	2,617,982	2,201,404
- Unrealised	2,357	2,574
Total share of retained profits from joint ventures		
- Realised	68,851	47,698
	<u>29,081,314</u>	<u>23,578,781</u>
Less: Consolidation adjustments	(16,553,836)	(15,350,344)
Total Group's retained profits	<u><u>12,527,478</u></u>	<u><u>8,228,437</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 24th August 2017