

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
THE GROUP		
Assets		
Cash and short-term funds	9,890,071	12,772,343
Deposits and placements with banks and other financial institutions	10,196,421	6,013,958
Securities purchased under resale agreements	35,126	336,003
Financial assets held-for-trading	10,702,699	9,453,437
Financial investments available-for-sale	38,350,262	35,163,362
Financial investments held-to-maturity	15,895,679	14,581,030
Derivative financial instruments	971,195	977,604
Loans, advances and financing	128,851,234	124,812,079
Clients' and brokers' balances	525,556	508,070
Other receivables	952,570	1,527,755
Statutory deposits with Central Banks	4,364,982	3,796,330
Tax recoverable	367	1,909
Investment in associated companies	4,538,326	4,321,625
Investment in joint ventures	179,426	169,185
Property and equipment	1,573,829	1,884,451
Investment properties	494,164	2,030
Goodwill	2,410,644	2,410,644
Intangible assets	168,541	230,588
Total Assets	230,101,092	218,962,403
Liabilities		
Deposits from customers	156,882,912	154,458,017
Deposits and placements of banks and other financial institutions	9,296,395	7,734,425
Obligations on securities sold under repurchase agreements	3,931,523	2,978,728
Bills and acceptances payable	544,450	364,675
Derivative financial instruments	1,082,140	1,479,564
Clients' and brokers' balances	350,730	271,738
Payables and other liabilities	11,708,191	8,531,035
Recourse obligations on loans sold to Cagamas Berhad	202,952	202,926
Provision for claims	150,478	147,767
Provision for taxation	244,162	235,309
Deferred tax liabilities	78,309	302,517
Borrowings	1,385,934	1,526,222
Subordinated obligations	3,460,685	2,959,779
Innovative Tier 1 capital securities	512,352	515,623
Multi-currency Additional Tier 1 capital securities	401,369	-
Insurance funds	13,188,787	12,221,565
Total Liabilities	203,421,369	193,929,890
Equity		
Share capital	2,267,008	2,267,008
Capital reserves	1,540,421	1,590,528
Retained profits	13,910,419	12,527,478
Fair value reserve	109,284	259,635
Treasury shares for ESOS	(22,686)	(35,712)
Total shareholders' equity	17,804,446	16,608,937
Non-controlling interests	8,875,277	8,423,576
Total Equity	26,679,723	25,032,513
Total Liabilities and Equity	230,101,092	218,962,403
Commitment and Contingencies	177,098,055	171,332,247
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	15.55	14.52

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
THE GROUP				
Interest income	1,661,903	1,575,916	6,519,210	6,316,503
Interest expense	(972,216)	(859,169)	(3,648,602)	(3,494,848)
Net interest income	689,687	716,747	2,870,608	2,821,655
Net income from Islamic banking business	162,741	142,801	646,064	550,099
Non-interest income	467,441	413,516	1,834,319	1,662,808
Net income	1,319,869	1,273,064	5,350,991	5,034,562
Overhead expenses	(571,881)	(570,990)	(2,295,031)	(2,222,231)
Operating profit before allowances	747,988	702,074	3,055,960	2,812,331
Allowance for impairment losses on loans, advances and financing and other losses	(10,691)	(63,710)	(77,383)	(161,226)
(Allowance for)/writeback of impairment losses	(1,258)	1,387	287	1,330
	736,039	639,751	2,978,864	2,652,435
Share of results of associated companies	128,947	123,883	579,173	416,361
Share of results of joint ventures	5,641	4,492	20,548	21,153
Profit before taxation	870,627	768,126	3,578,585	3,089,949
Taxation	(177,471)	(325,672)	(684,059)	(773,065)
Net profit for the financial year	693,156	442,454	2,894,526	2,316,884
Attributable to:				
Owners of the parent	454,290	258,794	1,907,442	1,506,765
Non-controlling interests	238,866	183,660	987,084	810,119
Net profit for the financial year	693,156	442,454	2,894,526	2,316,884
Earnings per share - basic (sen)	39.7	22.6	166.8	131.8

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
THE GROUP				
Net profit for the financial year	693,156	442,454	2,894,526	2,316,884
Other comprehensive (loss)/income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive loss of associated companies	(7,006)	(6,908)	(5,890)	(12,556)
Net fair value changes in financial investments available-for-sale	(205,862)	266,733	(403,475)	64,925
Revaluation of property upon transfer to investment properties	78,896	-	78,896	-
Net fair value changes in cash flow hedge	992	(435)	2,398	856
Currency translation differences	(35,438)	(94,309)	(336,308)	236,493
Income tax relating to components of other comprehensive income	141,830	(63,439)	183,278	(16,186)
Other comprehensive (loss)/income for the financial year, net of tax	(26,588)	101,642	(481,101)	273,532
Total comprehensive income for the financial year, net of tax	666,568	544,096	2,413,425	2,590,416
Attributable to:				
Owners of the parent	465,634	323,024	1,612,675	1,688,064
Non-controlling interests	200,934	221,072	800,750	902,352
	666,568	544,096	2,413,425	2,590,416

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	25,466	7,721
Deposits and placements with banks and other financial institutions	3,360	8,400
Other receivables	4,547	39,221
Tax recoverable	-	1,685
Deferred tax assets	75	36
Investment in subsidiary companies	17,996,078	16,909,723
Property and equipment	5,332	1,418
Intangible assets	1	13
Total Assets	18,034,859	16,968,217
<u>Liabilities</u>		
Derivative financial instruments	327	874
Payables and other liabilities	13,612	9,489
Provision for taxation	1,972	-
Subordinated obligations	499,599	-
Multi-currency Additional Tier 1 capital securities	400,751	-
Borrowings	1,385,934	1,526,222
Total Liabilities	2,302,195	1,536,585
<u>Financed by:</u>		
Share capital	2,267,008	2,267,008
Capital reserves	259,160	254,991
Retained profits	13,206,499	12,909,636
Treasury shares for ESOS	(3)	(3)
Total Equity	15,732,664	15,431,632
Total Liabilities and Equity	18,034,859	16,968,217
Commitment and Contingencies	100,000	100,000

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2018	quarter ended 30/06/2017	to date 30/06/2018	to date 30/06/2017
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	5,690	364	14,239	1,309
Interest expense	(17,270)	(12,876)	(67,495)	(59,086)
Net interest expense	(11,580)	(12,512)	(53,256)	(57,777)
Non-interest income	3,522	2,449	850,286	662,513
Net (expense)/income	(8,058)	(10,063)	797,030	604,736
Overhead expenses	(11,996)	(6,866)	(35,809)	(21,327)
Profit before taxation	(20,054)	(16,929)	761,221	583,409
Taxation	(1,326)	(461)	(5,352)	(2,039)
Net profit for the financial year	(21,380)	(17,390)	755,869	581,370
Earnings per share - basic (sen)	(1.9)	(1.5)	65.9	50.7

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2018	quarter ended 30/06/2017	to date 30/06/2018	to date 30/06/2017
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial year	(21,380)	(17,390)	755,869	581,370
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year, net of tax	(21,380)	(17,390)	755,869	581,370

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Share capital	Share premium	Statutory reserve	Regulatory reserve#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP														
At 1 July 2017	2,267,008	-	-	680,987	259,635	(703)	134,957	29,429	745,858	12,527,478	(35,712)	16,608,937	8,423,576	25,032,513
<u>Comprehensive income</u>														
Net profit for the financial year	-	-	-	-	-	-	-	-	-	1,907,442	-	1,907,442	987,084	2,894,526
Currency translation differences	-	-	-	-	-	-	-	-	(224,559)	-	-	(224,559)	(111,749)	(336,308)
Share of other comprehensive income of associated companies	-	-	-	-	(5,610)	-	-	-	-	-	-	(5,610)	(280)	(5,890)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	(144,741)	-	-	-	-	-	-	(144,741)	(74,958)	(219,699)
Revaluation of property upon transfer to investment properties	-	-	-	-	-	-	78,896	-	-	-	-	78,896	-	78,896
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	1,247	-	-	-	-	-	1,247	653	1,900
Total comprehensive (loss)/income	-	-	-	-	(150,351)	1,247	78,896	-	(224,559)	1,907,442	-	1,612,675	800,750	2,413,425
<u>Transaction with owners</u>														
Transfer to other reserves	-	-	-	-	-	-	(539)	-	-	539	-	-	-	-
Transfer to regulatory reserve	-	-	-	74,023	-	-	-	-	-	(74,023)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,497)	-	(5,497)	5,497	-
Dividends paid	-	-	-	-	-	-	-	-	-	(459,006)	-	(459,006)	-	(459,006)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(356,241)	(356,241)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	1,695	1,695
Option charge arising from ESS granted	-	-	-	-	-	-	-	23,861	-	1,342	-	25,203	-	25,203
ESS exercised	-	-	-	-	-	-	-	(3,036)	-	12,144	13,026	22,134	-	22,134
At 30 June 2018	2,267,008	-	-	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723
At 1 July 2016	1,147,517	1,119,491	3,310,501	602,335	237,252	(1,129)	134,870	10,205	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 associated companies	-	-	-	-	(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
ESS exercised	-	-	-	-	-	-	-	(1,933)	-	854	-	(1,079)	-	(1,079)
Transfer to other reserves	-	-	-	-	-	-	87	-	-	(87)	-	-	-	-
Transfer pursuant to the Companies Act, 2016**	1,119,491	(1,119,491)	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	2,267,008	-	-	680,987	259,635	(703)	134,957	29,429	745,858	12,527,478	(35,712)	16,608,937	8,423,576	25,032,513

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM743,765,000 (30 June 2017: RM669,742,000) in accordance with 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 2017: RM11,245,000).

** The new Companies Act, 2016, 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 Companies Act, 2016. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act, 2016, 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 Companies Act, 2016. 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 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

<u>THE COMPANY</u>	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Share options reserve RM '000	Treasury shares for ESOS RM '000	Retained profits RM '000	Total equity RM '000
At 1 July 2017	2,267,008	-	254,991	-	(3)	12,909,636	15,431,632
Net profit for the financial year	-	-	-	-	-	755,869	755,869
Dividends paid	-	-	-	-	-	(459,006)	(459,006)
Option charge arising from ESS granted	-	-	-	4,169	-	-	4,169
At 30 June 2018	2,267,008	-	254,991	4,169	(3)	13,206,499	15,732,664
At 1 July 2016	1,147,517	1,119,491	254,991	-	(3)	12,764,322	15,286,318
Net profit for the financial year	-	-	-	-	-	581,370	581,370
Dividends paid	-	-	-	-	-	(436,056)	(436,056)
Transfer pursuant to the Companies Act, 2016**	1,119,491	(1,119,491)	-	-	-	-	-
At 30 June 2017	2,267,008	-	254,991	-	(3)	12,909,636	15,431,632

** The new Companies Act, 2016, 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 Companies Act, 2016. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act, 2016, 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 Companies Act, 2016. 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 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group		The Company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	3,578,585	3,089,949	761,221	583,409
Adjustment for non-cash items	(1,208,470)	140,676	(782,787)	(597,129)
Operating profit/(loss) before working capital changes	2,370,115	3,230,625	(21,566)	(13,720)
Income tax paid	(754,459)	(532,149)	(1,733)	(700)
Interest received	866	1,309	1,327	1,309
Changes in working capital				
Net changes in operating assets	(3,595,953)	(5,106,474)	40,674	(38,534)
Net changes in operating liabilities	8,611,600	6,551,956	4,123	138
Net cash generated from/(used in) operating activities	6,632,169	4,145,267	22,825	(51,507)
Cash flow from investing activities				
Net (purchases)/sales of financial investments available-for-sale	(3,146,276)	754,173	-	-
Net purchases of financial investments held-to-maturity	(1,314,642)	(1,669,486)	-	-
Interest received on financial investments available-for-sale and financial investments held-to-maturity	1,195,878	1,070,605	-	-
Purchase of intangible assets	(14,119)	(22,912)	-	(2)
Purchase of property and equipment	(148,285)	(169,710)	(4,725)	(339)
Net proceeds from disposal of property and equipment	5,898	4,301	2	-
Dividends received from other investments	327,549	296,763	-	-
Dividends received from subsidiary companies	-	-	648,555	655,150
Dividends received from associated and joint ventures companies	104,674	210,367	-	-
Proceeds from redemption of redeemable preference shares and liquidation	-	-	6,000	5,437
Investment in debt instrument issued by subsidiary company				
- Multi-currency Additional Tier 1 capital securities	-	-	(400,000)	-
- Tier 2 subordinated notes	-	-	(500,000)	-
Interest received from investment in debt instrument issued by subsidiary company				
- Multi-currency Additional Tier 1 capital securities	-	-	10,175	-
Net cash (used in)/generated from investing activities	(2,989,323)	474,101	(239,993)	660,246
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(459,006)	(436,056)	(459,006)	(436,056)
Dividends paid to non-controlling interests	(356,241)	(320,160)	-	-
(Repayment)/drawdown of revolving credit	(160,000)	65,000	(160,000)	65,000
Issuance/(redemption) of medium term notes and commercial papers	20,000	(300,000)	20,000	(350,000)
Repayment of senior bonds	-	(1,323,150)	-	-
(Repayment)/drawdown of term loans	-	(214,730)	-	170,000
Proceeds from issuance of Multi-currency Additional Tier 1 capital securities	400,000	-	400,000	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(11,168)	-	(10,517)	-
Proceeds from issuance of subordinated obligations	500,000	-	500,000	-
Interest paid on subordinated obligations	(117,282)	(116,335)	(14)	-
Interest paid on borrowings	(54,590)	(97,707)	(54,590)	(59,582)
Interest paid on innovative Tier 1 capital securities	(38,431)	(33,727)	-	-
Recourse obligations on loans sold to Cagamas Berhad	-	200,050	-	-
Interest expense on recourse obligations on loans sold to Cagamas Berhad	(7,576)	(3,851)	-	-
Net cash (used in)/generated from financing activities	(284,294)	(2,580,666)	235,873	(610,638)
Net increase/(decrease) in cash and cash equivalents	3,358,552	2,038,702	18,705	(1,899)
Effects of exchange rate changes	(322,067)	81,184	-	-
Cash and cash equivalents at 1 July	12,648,403	10,528,517	6,821	8,720
Cash and cash equivalents at 30 June	15,684,888	12,648,403	25,526	6,821
Analysis of cash and cash equivalents				
Cash and short-term funds	9,890,071	12,772,343	25,466	7,721
Deposits and placements with banks and other financial institutions	10,196,421	6,013,958	3,360	8,400
	20,086,492	18,786,301	28,826	16,121
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(4,401,604)	(6,137,898)	(3,300)	(9,300)
	15,684,888	12,648,403	25,526	6,821

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2018 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 2017. 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 2017.

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 2017 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2017:

- Amendments to MFRS 107 'Statements of Cash Flows - Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 - 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the financial results of the Group and the Company.

2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2017

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2017.

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 2018 other than as mentioned below.

a) Purchase of shares pursuant to Executive Share Scheme ("ESS")

In December 2017, the Group has granted up to 20,450,000 HLFGB shares at an exercise price of RM17.12 to eligible executives of HLFGB and its subsidiary pursuant to the Company's Executive Share Scheme.

The options granted are subject to the achievement of certain performance criteria by the option holders over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The achievement of the performance targets and the numbers of shares (if any) to be vested shall be determined following the end of respective performance periods. The vested options for each performance period are exercisable in three tranches over a period of 2 - 26 months from the respective vesting dates.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

a) Purchase of shares pursuant to Executive Share Scheme ("ESS") (continued)

As at 30 June 2018, the total number of Treasury Shares for Executive Share Option Scheme ("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 2018, no shares were exercised pursuant to the Company's ESOS.

The insurance subsidiary company exercised a total of 1,446,000 ordinary shares pursuant to the Company's ESS at the adjusted exercise price of RM16.61 during the financial year ended 30 June 2018.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 June 2018 was 2,517,900 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM22,682,753 which have been classified as treasury shares for ESOS at the Group level.

b) Issuance of Multi-currency Additional Tier 1 capital securities

On 30 November 2017, the Company issued RM400 million nominal value of Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400 million Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company.

c) Issuance of Tier 2 subordinated notes

On 25 June 2018, the Company issued RM500 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company.

7. Dividends paid

A first interim single-tier dividend of 13.0 sen per share amounting to RM149.2 million was paid on 28 December 2017.

Second interim single-tier dividend of 27.0 sen per share amounting to RM309.8 million was paid on 26 June 2018.

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 and takaful 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 2018

8. Segmental reporting (continued)

The Group 30 June 2018	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue for the year ended						
External revenue	4,828,978	191,845	393,475	(63,307)	-	5,350,991
Intersegment revenue	10,587	3,912	5,711	1,026,175	(1,046,385)	-
	<u>4,839,565</u>	<u>195,757</u>	<u>399,186</u>	<u>962,868</u>	<u>(1,046,385)</u>	<u>5,350,991</u>
Results for the year ended						
Segment results	2,709,596	78,587	284,959	924,028	(1,018,306)	2,978,864
Share of results of associated companies						579,173
Share of results of joint ventures						20,548
Profit before taxation						<u>3,578,585</u>
Taxation						<u>(684,059)</u>
Net profit for the financial year						<u>2,894,526</u>
Non-controlling interests						<u>(987,084)</u>
Profit attributable to owners of the parent						<u><u>1,907,442</u></u>
Other information						
Segment assets	202,837,706	4,463,753	19,970,891	18,035,015	(15,206,273)	<u>230,101,092</u>
Segment liabilities	178,945,447	3,697,695	17,132,404	2,303,823	1,342,000	<u><u>203,421,369</u></u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8. Segmental reporting (continued)

The Group 30 June 2017	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue for the year ended						
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>
Results for the year ended						
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						<u>(773,065)</u>
Net profit for the financial year						<u>2,316,884</u>
Non-controlling interests						<u>(810,119)</u>
Profit attributable to owners of the parent						<u><u>1,506,765</u></u>
Other information						
Segment assets	195,547,673	4,173,038	18,508,992	17,174,782	(16,442,082)	218,962,403
Segment liabilities	172,862,258	3,427,731	15,877,414	1,538,264	224,223	<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 2018

9. Financial assets held-for-trading

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Money market instruments:		
Malaysian Government securities	2,591,793	475,794
Negotiable instruments of deposit	3,983,804	5,177,899
Bankers' acceptances and Islamic accepted bills	55,084	-
Malaysian Government investment certificates	867,698	715,133
Cagamas bonds	-	1,013
Other Government securities	655,493	557,649
	<u>8,153,872</u>	<u>6,927,488</u>
Quoted securities:		
Shares in Malaysia	612,759	743,504
Shares outside Malaysia	108,132	71,073
Foreign currency bonds in Malaysia	40,093	195,592
Foreign currency bonds outside Malaysia	68,847	62,860
Unit trust investments	435,834	332,260
	<u>1,265,665</u>	<u>1,405,289</u>
Unquoted securities:		
Foreign currency bonds outside Malaysia	52,465	53,087
Malaysia Government sukuk	-	191,394
Corporate bonds and sukuk	1,230,697	876,179
	<u>1,283,162</u>	<u>1,120,660</u>
Total financial assets held-for-trading	<u>10,702,699</u>	<u>9,453,437</u>

10. Financial investments available-for-sale

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Money market instruments:		
Malaysian Government securities	1,357,655	1,367,665
Malaysian Government investment certificates	4,523,680	4,446,014
Khazanah bonds	673,444	406,904
Cagamas bonds	1,490,348	1,458,370
Other Government securities	4,268,647	3,284,010
	<u>12,313,774</u>	<u>10,962,963</u>
Quoted securities:		
Shares in Malaysia	1,520,961	1,504,150
Shares outside Malaysia	111,481	114,374
Foreign currency bonds in Malaysia	2,996,117	3,056,104
Foreign currency bonds outside Malaysia	1,660,272	1,818,131
Investment-linked funds	300	300
Unit trust investments	558,205	470,603
	<u>6,847,336</u>	<u>6,963,662</u>
Unquoted securities:		
Shares in Malaysia	469,905	457,132
Shares outside Malaysia	-	149,361
Foreign currency bonds in Malaysia	1,048,287	294,300
Foreign currency bonds outside Malaysia	1,017,005	862,710
Malaysian Government sukuk	2,385,470	2,040,793
Corporate bonds and sukuk	14,268,485	13,432,441
	<u>19,189,152</u>	<u>17,236,737</u>
Total financial investments available-for-sale	<u>38,350,262</u>	<u>35,163,362</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11. Financial investments held-to-maturity

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Money market instruments:		
Government treasury bills	52,950	57,367
Malaysian Government securities	1,574,180	2,764,747
Malaysian Government investment certificates	11,432,594	9,482,704
Other Government securities	383,739	484,230
	<u>13,443,463</u>	<u>12,789,048</u>
Unquoted securities:		
Loan stocks	-	48
Malaysian Government sukuk	1,548,339	814,591
Corporate bonds and sukuk	748,201	697,481
Foreign currency bonds outside Malaysia	124,810	247,796
Redeemable preference shares	30,866	32,066
	<u>2,452,216</u>	<u>1,791,982</u>
Total financial investments held-to-maturity	<u>15,895,679</u>	<u>14,581,030</u>

12. Loans, advances and financing

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Overdrafts	3,794,584	3,776,243
Term loans/financing:		
- Housing and shop loans/financing	70,332,643	65,998,057
- Syndicated term loan/financing	9,953,665	9,225,253
- Hire purchase receivables	17,229,742	18,159,364
- Other term loans/financing	7,700,340	8,135,246
Credit/charge card receivables	3,899,183	3,997,701
Bills receivables	996,560	1,081,635
Trust receipts	328,628	314,042
Claims on customers under acceptance credits	7,839,208	7,451,325
Revolving credits	6,627,619	6,611,688
Policy and premium loans	564,369	584,546
Staff loans/financing	146,088	146,737
Other loans/financing	448,850	486,255
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>
Fair value changes arising from fair value hedges	(2,540)	(34)
Unamortised fair value changes arising from terminated fair value hedges	(13)	(36)
Allowance for impaired loans, advances and financing:		
- Collective assessment allowance	(805,397)	(830,407)
- Individual assessment allowance	(202,295)	(325,536)
Total net loans, advances and financing	<u>128,851,234</u>	<u>124,812,079</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM177,874,000 (2017: RM184,571,000).

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. Loans, advances and financing (continued)

(a) By type of customer

	The Group	
	As at 30/06/2018	As at 30/06/2017
	RM '000	RM '000
Domestic non-bank financial institutions	597,185	651,907
Domestic business enterprises:		
- small and medium enterprises	20,480,196	20,377,345
- others	16,489,255	15,491,115
Government and statutory bodies	19,374	29,072
Individuals	85,095,493	82,063,090
Other domestic entities	269,937	79,052
Foreign entities	6,910,039	7,276,511
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/06/2018	As at 30/06/2017
	RM '000	RM '000
Fixed rate		
- Housing and shop loans/financing	2,583,136	4,753,971
- Hire purchase receivables	16,916,260	17,747,828
- Other fixed rate loan/financing	7,241,647	7,513,604
Variable rate		
- Base rate/base lending rate plus	86,079,824	78,636,505
- Cost plus	16,635,549	16,918,373
- Other variables rates	405,063	397,811
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>

(c) By economic purpose

	The Group	
	As at 30/06/2018	As at 30/06/2017
	RM '000	RM '000
Purchase of securities	604,109	700,958
Purchase of transport vehicles	16,893,711	17,583,693
Purchase of landed properties		
- residential	61,370,803	56,861,181
- non-residential	15,553,253	15,774,407
Purchase of fixed assets (excluding landed properties)	546,924	379,050
Personal use	3,248,454	3,563,125
Credit card	3,899,183	3,997,701
Construction	1,552,918	1,238,539
Mergers and acquisition	362,600	201,182
Working capital	23,857,255	23,216,086
Other purpose	1,972,269	2,452,170
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>

(d) By geographical distribution

	The Group	
	As at 30/06/2018	As at 30/06/2017
	RM '000	RM '000
Malaysia	123,335,851	119,382,844
Singapore	5,097,771	5,379,133
Vietnam	405,063	397,813
Cambodia	1,022,794	808,302
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. Loans, advances and financing (continued)

(e) By residual contractual maturity

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM '000	RM '000
Within one year	27,426,888	27,380,609
One year to less than three years	6,027,852	5,492,203
Three years to less than five years	9,069,429	10,265,641
Five years and more	87,337,310	82,829,639
Gross loans, advances and financing	<u>129,861,479</u>	<u>125,968,092</u>

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

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM '000	RM '000
Purchase of securities	1,256	2,196
Purchase of transport vehicles	134,141	142,754
Purchase of landed properties		
- residential	353,270	307,234
- non-residential	170,961	133,296
Purchase of fixed assets (excluding landed properties)	3,465	3,332
Personal use	46,682	44,066
Credit card	39,562	48,005
Construction	3,530	7,209
Working capital	376,386	510,724
Other purpose	3,134	16,201
Gross impaired loans, advances and financing	<u>1,132,387</u>	<u>1,215,017</u>

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

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM '000	RM '000
Malaysia	1,119,695	1,208,932
Singapore	1,394	471
Vietnam	3,937	5,098
Cambodia	7,361	516
Gross impaired loans, advances and financing	<u>1,132,387</u>	<u>1,215,017</u>

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

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM '000	RM '000
As at beginning of the financial year	1,215,017	957,153
Impaired during the financial year	1,663,481	1,824,594
Performing during the financial year	(889,043)	(821,519)
Amount written back in respect of recoveries	(392,039)	(336,403)
Amount written off	(460,834)	(407,656)
Exchange differences	(4,195)	(1,152)
As at end of the financial year	<u>1,132,387</u>	<u>1,215,017</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.9%</u>	<u>1.0%</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial year	830,407	856,971
Net allowance made during the financial year	300,218	282,483
Amount transferred to individual assessment allowance	-	(729)
Amount written off	(310,061)	(298,120)
Unwinding income	(14,475)	(10,732)
Exchange differences	(692)	534
As at end of the financial year	<u>805,397</u>	<u>830,407</u>
Collective assessment allowance (inclusive of regulatory reserve)		
as % of gross loans, advances and financing less individual impairment allowance	<u>1.1%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial year	325,536	289,844
Net allowance made during the financial year	63,406	162,679
Amount transferred from collective assessment allowance	-	729
Amount written back in respect of recoveries	(55,505)	(46,433)
Amount written off	(119,266)	(72,260)
Unwinding income	(7,959)	(8,741)
Exchange differences	(3,917)	(282)
As at end of the financial year	<u>202,295</u>	<u>325,536</u>

13. Other receivables

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Foreclosed properties	46	46
Sundry debtors and other prepayments	293,418	181,987
Treasury related receivable	65,547	457,935
Fee income receivable	2,842	16,076
Collateral pledged for derivative transactions	314,855	676,156
Other receivables	275,862	195,555
	<u>952,570</u>	<u>1,527,755</u>
	The Company	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Amount due from subsidiary companies	4,137	38,646
Sundry debtors and other prepayments	178	301
Interest receivables	2	11
Other receivables	230	263
	<u>4,547</u>	<u>39,221</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14. Investment in joint venture

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
<u>Retained portion</u>		
Unquoted shares outside Malaysia, at cost	24,657	24,657
Cumulative share of results, net of dividends received	26,342	20,882
Exchange fluctuation reserve	6,674	8,842
	<u>57,673</u>	<u>54,381</u>
Equity interest held for sale	121,753	114,804
	<u>179,426</u>	<u>169,185</u>

On 1 March 2010, HLB together with Bank of Chengdu Co., Ltd. ("BOCD"), obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. This JV Co focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in the JV Co. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements HLB's strategic partnership in BOCD and affirms HLB's vision and belief in the huge potential of China.

In March 2017, HLB's Board of Directors has approved the divestment of 37% of HLB's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by HLB to new strategic investors through an exercise via Southwest United Equity Exchange. The completion of the sale is currently pending the China Banking Regulatory Commission approval. Upon the divestment exercise, HLB would continue to equity account the retained interest of 12% as HLB is still deemed to have significant influence in JV Co.

Investment in joint venture classified as asset held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as held for sale amounted to RM121,753,000 for the financial year ended 30 June 2018 (30 June 2017: RM114,804,000).

JV Co is a private company and there is no quoted market price available for its shares.

15. Deposits from customers

(a) By type of deposits

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
At amortised cost		
Fixed deposits	88,068,740	88,216,001
Short-term placements	16,624,892	18,312,314
Negotiable instruments of deposits	6,892,073	5,713,184
	<u>111,585,705</u>	<u>112,241,499</u>
Demand deposits	23,586,919	21,186,820
Savings deposits	17,563,850	17,531,603
Others	979,288	1,017,170
Gross deposits from customers	<u>153,715,762</u>	<u>151,977,092</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	3,334,428	2,597,863
Fair value changes arising from designation at fair value through profit or loss*	(167,278)	(116,938)
Total net deposits from customers	<u>156,882,912</u>	<u>154,458,017</u>

*Note:

The Group has issued structured deposits which are linked to interest rate derivatives 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 characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15. Deposits from customers (continued)

(b) By type of customers

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Government and statutory bodies	4,818,613	3,395,343
Business enterprises	61,345,942	62,087,439
Individuals	88,185,501	86,196,444
Others	2,532,856	2,778,791
Net deposits from customers	<u>156,882,912</u>	<u>154,458,017</u>

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

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Due within six months	83,100,530	93,035,057
More than six months to one year	26,160,206	17,382,345
More than one year to five years	2,324,969	1,824,097
	<u>111,585,705</u>	<u>112,241,499</u>

16. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Licensed banks	7,134,830	6,262,658
Licensed investment banks	309,597	50,004
Other financial institutions	1,851,968	1,421,763
	<u>9,296,395</u>	<u>7,734,425</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short-term)	<u>9,296,395</u>	<u>7,734,425</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17. Payables and other liabilities

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Trade payables	2,731,351	2,333,872
Loan advance payment	3,229,766	2,987,067
Post employment benefits obligation - defined contribution plan	1,855	1,819
Treasury and cheque clearing	50,106	129,556
Treasury related payables	231,223	235,295
Sundry creditors and accruals	554,916	332,197
Provision for bonus and staff related expenses	226,546	207,627
Financial liabilities due to third party investors*	3,859,209	1,773,647
Others	823,219	529,955
	<u>11,708,191</u>	<u>8,531,035</u>

	The Company	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Sundry creditors and accruals	2,093	1,276
Provision for bonus and staff related expenses	11,474	8,169
Post employment benefits obligation - defined contribution plan	45	44
	<u>13,612</u>	<u>9,489</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'.

18. Interest income

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Loans, advances and financing	1,177,219	1,153,570	4,657,012	4,640,525
Money at call and deposit placements with financial institutions	63,872	33,453	216,379	126,591
Securities purchased under resale agreements	454	220	5,484	35,504
Financial assets held-for-trading	107,174	97,282	419,434	423,645
Financial investments available-for-sale	201,204	184,328	787,842	687,883
Financial investments held-to-maturity	105,686	100,019	408,036	382,722
Others	6,294	7,044	25,023	19,633
	<u>1,661,903</u>	<u>1,575,916</u>	<u>6,519,210</u>	<u>6,316,503</u>
Of which:				
Interest income earned on impaired loans, advances and financing	12,958	35,021	52,766	53,446

	The Company		The Company	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Money at call and deposit placements with financial institutions	175	173	1,404	1,118
Other interest income	5,515	191	12,835	191
	<u>5,690</u>	<u>364</u>	<u>14,239</u>	<u>1,309</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

19. Interest expense

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Deposits and placements of banks and other financial institutions	53,010	37,972	197,861	120,048
Deposits from customers	755,667	671,196	2,861,551	2,781,919
Short-term placements	98,767	90,546	344,662	322,177
Borrowings	11,474	14,783	54,188	91,488
Subordinated obligations	29,600	29,247	117,616	117,473
Recourse obligation on loans sold to Cagamas	1,895	1,895	7,602	6,727
Innovative Tier 1 capital securities	9,726	9,020	38,205	35,362
Multi-currency Additional Tier 1 capital securities	12,059	-	13,002	-
Others	18	4,510	13,915	19,654
	<u>972,216</u>	<u>859,169</u>	<u>3,648,602</u>	<u>3,494,848</u>

	The Company		The Company	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Borrowings	11,474	12,732	54,188	58,631
Subordinated obligations	419	-	419	-
Multi-currency Additional Tier 1 capital securities	5,277	-	12,351	-
Others	100	144	537	455
	<u>17,270</u>	<u>12,876</u>	<u>67,495</u>	<u>59,086</u>

20. Net income from Islamic banking business

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Income derived from investment of depositors' funds and others	342,340	301,271	1,279,994	1,108,101
of which Finance income	344,338	300,947	1,277,517	1,103,706
of which other operating income	(1,998)	324	2,477	4,395
Income derived from investment of shareholders' funds	24,377	20,704	137,744	128,043
of which Finance income	15,012	13,271	96,158	83,076
of which other operating income	9,365	7,433	41,586	44,967
Income attributable to depositors	<u>(203,976)</u>	<u>(179,174)</u>	<u>(771,674)</u>	<u>(686,045)</u>
	<u>162,741</u>	<u>142,801</u>	<u>646,064</u>	<u>550,099</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

21. Non-interest income

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Net income from insurance business	83,797	75,178	283,942	280,699
Net brokerage and commissions from stockbroking business	15,481	11,192	65,854	60,368
Net unit trust and asset management income	9,494	7,868	34,353	27,260
Fee income:				
Commissions	34,018	39,724	152,870	148,807
Service charges and fees	14,561	16,249	62,674	62,661
Guarantee fees	3,507	3,410	14,213	13,663
Credit card related fees	49,710	55,742	218,225	236,211
Corporate advisory fees	1,472	1,261	5,926	7,744
Commitment fees	8,058	8,591	33,086	34,916
Fee on loans, advances and financing	9,974	9,117	39,690	51,326
Placement fees	625	8,909	1,393	12,451
Arranger fees	(346)	3,303	3,139	9,633
Other fee income	35,397	31,013	123,302	101,963
	156,976	177,319	654,518	679,375
Net realised (loss)/gain arising from sale/redemption of financial assets:				
Net (loss)/gain from sale of financial assets held-for-trading	(22,459)	16,747	19,671	19,033
Net gain from sale of financial investments available-for-sale	71,162	49,927	217,616	74,568
Net gain from redemption of financial investments held-to-maturity	4	76	7	226
Net (loss)/gain from sale of derivative financial instruments	(69,746)	26,699	(20,712)	49,482
	(21,039)	93,449	216,582	143,309
Gross dividend income from:				
Financial assets held-for-trading	1,277	792	5,116	2,740
Financial investments available-for-sale	86,094	79,511	322,433	294,023
	87,371	80,303	327,549	296,763
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	10,791	(152)	(11,194)	(352)
Derivative financial instruments	118,000	(54,844)	121,763	80,896
	128,791	(54,996)	110,569	80,544
Amortisation of fair value changes arising from terminated fair value hedges	(96)	(74)	(800)	(115)
Net (loss)/gain on fair value changes arising from fair value hedges	(14)	34	(152)	(3)
Other income:				
Foreign exchange gain	28,284	20,369	143,771	75,366
Rental income	2,211	1,370	8,688	4,618
(Loss)/gain on disposal of property and equipment (net)	(53)	23	2,492	1,295
Net loss on dilution of investment in associated company	(26,800)	-	(26,800)	-
Other non-operating income	3,038	1,481	13,753	13,329
	6,680	23,243	141,904	94,608
Total non-interest income	467,441	413,516	1,834,319	1,662,808

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

21. Non-interest income (continued)

	The Company		The Company	
	Current quarter ended 30/06/2018	Last year quarter ended 30/06/2017	Current year to date 30/06/2018	Last year to date 30/06/2017
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	3,492	2,606	11,015	6,847
Net loss from sale of derivative financial instruments	-	-	-	(80)
Gross dividend income from:				
Subsidiary companies	-	-	648,555	655,150
Net unrealised gain/(loss) on revaluation of:				
Derivative financial instruments	22	(157)	547	581
Gain from distribution on liquidation of subsidiary	-	-	190,156	-
Other non-operating income	8	-	13	15
Total non-interest income	3,522	2,449	850,286	662,513

22. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/06/2018	Last year quarter ended 30/06/2017	Current year to date 30/06/2018	Last year to date 30/06/2017
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	272,668	282,836	1,138,790	1,131,380
- Medical expenses	11,739	14,023	36,532	35,302
- Training and convention expenses	7,631	7,801	26,416	29,528
- Staff welfare	2,784	2,789	10,462	12,107
- Others	12,373	14,395	42,776	49,278
	307,195	321,844	1,254,976	1,257,595
<u>Establishment costs</u>				
- Depreciation of property and equipment	35,007	27,495	130,013	101,045
- Amortisation of intangible assets	16,945	20,634	78,910	81,351
- Rental of premises	16,876	21,836	80,824	90,034
- Information technology expenses	44,495	42,588	175,334	159,122
- Security services	8,128	7,712	28,896	28,451
- Electricity, water and sewerage	6,737	6,446	27,228	25,034
- Hire of plant and machinery	3,156	3,679	12,695	14,588
- Others	11,804	5,654	38,730	23,674
	143,148	136,044	572,630	523,299
<u>Marketing expenses</u>				
- Advertisement and publicity	11,960	10,645	41,644	36,054
- Credit card related fees	24,762	27,954	107,491	108,998
- Others	7,209	5,550	25,788	21,092
	43,931	44,149	174,923	166,144
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,207	5,285	18,165	18,925
- Stationery and printing expenses	4,941	5,624	16,583	18,098
- Professional fees	24,997	23,381	87,236	77,153
- Insurance fees	9,877	10,115	41,772	40,175
- Stamp, postage and courier	2,062	4,874	15,411	19,842
- Credit card fees	9,645	10,489	40,197	39,601
- Travelling and transport expenses	1,502	1,033	4,662	4,300
- Registration and license fees	2,486	2,461	10,200	10,077
- Brokerage and commission	2,436	1,776	8,003	6,747
- Others	15,454	3,915	50,273	40,275
	77,607	68,953	292,502	275,193
	571,881	570,990	2,295,031	2,222,231

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	6,655	5,126	23,991	14,300
- Medical expenses	43	17	130	79
- Training and convention expenses	5	6	25	15
- Staff welfare	158	146	559	537
- Others	3,361	183	4,872	667
	<u>10,222</u>	<u>5,478</u>	<u>29,577</u>	<u>15,598</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	273	161	810	650
- Amortisation of intangible assets	-	14	12	95
- Rental of premises	233	190	860	760
- Information technology expenses	24	25	117	134
- Electricity, water and sewerage	17	11	51	45
- Hire of machinery	-	8	6	31
- Others	131	94	227	170
	<u>678</u>	<u>503</u>	<u>2,083</u>	<u>1,885</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	11	6	34	29
- Stationery and printing expenses	1	6	27	20
- Professional fees	315	76	1,014	888
- Management fees	549	563	2,237	2,251
- Travelling and transport expenses	54	13	110	112
- Others	166	221	727	544
	<u>1,096</u>	<u>885</u>	<u>4,149</u>	<u>3,844</u>
	<u>11,996</u>	<u>6,866</u>	<u>35,809</u>	<u>21,327</u>

23. Allowance for impairment losses on loans, advances and financing and other losses

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Collective assessment allowance	71,804	53,175	300,218	282,483
- Individual assessment allowance	(5,428)	79,022	7,901	116,246
(Writeback of)/allowance for impairment losses on client's and brokers' balances:				
- Collective assessment allowance	(2)	12	-	11
- Individual assessment allowance	107	(53)	(66)	135
Allowance for impairment losses on other assets:				
- Individual assessment allowance	689	181	458	987
Impaired loans and financing:				
- written off	4,601	5,951	19,719	22,520
- recovered	(61,080)	(74,578)	(250,847)	(261,156)
	<u>10,691</u>	<u>63,710</u>	<u>77,383</u>	<u>161,226</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework (Capital Component) (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 Group is also required to maintain CCB of up to 2.500% 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 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio for year 2018 are 6.375%, 7.875% and 9.875% respectively.

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.

(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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Before deducting proposed dividends						
CET I capital ratio	13.113%	13.788%	12.545%	13.078%	33.073%	29.744%
Tier I capital ratio	13.797%	14.193%	12.997%	13.556%	33.073%	29.744%
Total capital ratio	16.752%	16.280%	16.301%	15.997%	37.619%	33.912%
After deducting proposed dividends						
CET I capital ratio	12.614%	13.286%	11.949%	12.486%	29.115%	25.398%
Tier I capital ratio	13.298%	13.691%	12.401%	12.964%	29.115%	25.398%
Total capital ratio	16.253%	15.779%	15.706%	15.405%	33.661%	29.566%

(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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
Paid up share capital	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	15,184,533	13,560,582	11,212,525	10,245,205	250,085	246,910
Other reserves	868,134	1,265,223	298,837	422,954	(3,355)	648
Less: Treasury shares	(732,267)	(733,961)	(732,267)	(733,961)	-	-
Less: Other intangible assets	(152,541)	(213,323)	(137,166)	(194,870)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(31,672)	(33,796)
Less: Deferred tax assets	(53,067)	(4,851)	(47,908)	-	(87,582)	(90,153)
Less: Investment in subsidiary companies/associated company/joint venture	(3,830,517)	(2,908,861)	(2,778,569)	(2,148,516)	(200)	(160)
Total CET I capital	17,192,026	16,872,560	13,782,968	13,558,328	380,226	376,399
Additional Tier I capital						
Multi-currency Additional Tier 1 capital securities	399,393	-	399,393	-	-	-
Innovative Tier 1 capital securities	497,562	495,778	497,562	495,778	-	-
Additional Tier I capital before regulatory adjustments	896,955	495,778	896,955	495,778	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-	-	-
Additional Tier I capital after regulatory adjustments	896,955	495,778	496,955	495,778	-	-
Total Tier I capital	18,088,981	17,368,338	14,279,923	14,054,106	380,226	376,399

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. Capital adequacy (continued)

(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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II capital						
Collective assessment allowance ^ and regulatory reserves #	1,375,082	1,281,686	1,130,670	1,067,705	2,266	2,783
Subordinated obligations	2,499,820	1,999,723	2,499,820	1,999,723	50,000	50,000
Tier II capital before regulatory adjustments	3,874,902	3,281,409	3,630,490	3,067,428	52,266	52,783
Less: Investment in subsidiary companies/associated company/joint venture	-	(727,215)	-	(537,129)	-	(40)
Total Tier II capital	3,874,902	2,554,194	3,630,490	2,530,299	52,266	52,743
Total capital	21,963,883	19,922,532	17,910,413	16,584,405	432,492	429,142

^ 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 RM741,694,000 (2017: RM667,238,000), Hong Leong Bank Berhad of RM637,098,000 (2017: RM571,678,000) and Hong Leong Investment Bank Berhad of RM2,071,000 (2017: RM2,504,000) 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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	118,853,998	111,299,987	98,504,099	93,397,418	407,598	461,963
Market risk	3,850,444	3,115,525	4,140,291	3,340,119	457,231	517,433
Operational risk	8,403,939	7,958,340	7,226,134	6,934,552	284,840	286,064
Total RWA	131,108,381	122,373,852	109,870,524	103,672,089	1,149,669	1,265,460

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

	Hong Leong Islamic Bank	
	30/06/2018	30/06/2017
Before deducting proposed dividends		
CET I capital ratio	10.461%	10.622%
Tier I capital ratio	12.404%	10.622%
Total capital ratio	15.477%	13.946%
After deducting proposed dividends		
CET I capital ratio	10.461%	10.622%
Tier I capital ratio	12.404%	10.622%
Total capital ratio	15.477%	13.946%

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

25. Events after Balance Sheet date

There are no material events subsequent to the end of the financial year ended 30 June 2018.

26. Changes in composition of the Group

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

- (a) On 6 October 2017, Hong Leong Capital Berhad, a subsidiary of HLFGB, announced that it had placed its wholly-owned subsidiary, HLG Securities Sdn Bhd ("HLGS"), under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. HLGS is dormant.
- (b) On 31 January 2018, Bank of Chengdu Co., Ltd ("BOCD"), an associated company of HLB (a subsidiary of HLFGB) was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, HLB's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%.
- (c) On 12 February 2018, HLFGB announced that it had placed its wholly-owned subsidiaries, Hong Leong Equities Sdn Bhd ("HLE") and HLFGB Assets Sdn Bhd ("HLFGA"), under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. HLE is an investment holding company and HLFGA is currently dormant. There are no future plans for the subsidiaries.

27. 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.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28. 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 also not secured over the assets of the Group.

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

	The Group	
	30/06/2018	30/06/2017
	RM '000	RM '000
Direct credit substitutes	109,341	82,785
Certain transaction related contingent items	1,286,782	1,391,111
Short-term self liquidating trade related contingencies	836,785	780,216
Obligations under underwriting agreement	-	130,000
Irrevocable commitments to extend credit:		
- less than one year	16,074,689	16,098,253
- more than one year	14,301,856	13,257,147
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	662,442	661,322
Foreign exchange related contracts:		
- less than one year	45,991,115	37,699,553
- one year to less than five years	2,752,507	3,758,574
- five years and above	624,527	1,260,525
Interest rate related contracts:		
- less than one year	29,754,327	45,167,380
- one year to less than five years	49,923,554	37,794,681
- five years and above	7,054,805	5,807,786
Equity related contracts:		
- less than one year	306,258	155,471
- one year to less than five years	510,502	286,187
Unutilised credit card lines	6,908,565	7,001,256
Total	<u>177,098,055</u>	<u>171,332,247</u>

	The Company	
	30/06/2018	30/06/2017
	RM '000	RM '000
Interest rate swaps:		
- one year to less than five years	<u>100,000</u>	<u>100,000</u>

- (b) Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the fund falls 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 2018 (2017: RM1 million).

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29. 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.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29. 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 30 June 2018	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	8,153,872	-	8,153,872
- Quoted securities	1,265,665	-	-	1,265,665
- Unquoted securities	-	1,283,162	-	1,283,162
Financial investments available-for-sale				
- Money market instruments	-	12,313,774	-	12,313,774
- Quoted securities	6,847,336	-	-	6,847,336
- Unquoted securities	-	18,719,248	469,904	19,189,152
Derivative financial instruments	1,221	956,098	13,876	971,195
	<u>8,114,222</u>	<u>41,426,154</u>	<u>483,780</u>	<u>50,024,156</u>
<u>Financial liabilities</u>				
Derivative financial instruments	4,913	1,063,351	13,876	1,082,140
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	<u>4,913</u>	<u>4,230,501</u>	<u>13,876</u>	<u>4,249,290</u>
30 June 2017				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
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	6,963,662	-	-	6,963,662
- Unquoted securities	-	16,779,585	457,152	17,236,737
Derivative financial instruments	18	969,018	8,568	977,604
	<u>8,368,969</u>	<u>36,759,714</u>	<u>465,720</u>	<u>45,594,403</u>
<u>Financial liabilities</u>				
Derivative financial instruments	1,228	1,469,768	8,568	1,479,564
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,950,693</u>	<u>8,568</u>	<u>3,960,489</u>

The Group recognises 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 (2017: RM Nil).

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29. 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 30 June 2018	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	327	-	327
30 June 2017				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	874	-	874

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

The Group 30 June 2018	Financial assets		Financial liability
	Financial investments available-for-sale RM '000	Derivative financial instruments RM '000	Derivative financial instruments RM '000
As at beginning of the financial year	457,152	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Disposal	(149,361)	-	-
Settlements	-	(6,036)	(6,036)
As at end of the financial year	469,904	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	-	-
30 June 2017			
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 statements 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	-	-

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Review of performance

1. Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM870.6 million for the current quarter ended 30 June 2018 as compared to RM768.1 million in the previous corresponding quarter, an increase of RM102.5 million or 13.3%. The increase was due to higher contribution across all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM777.6 million for the current quarter ended 30 June 2018 as compared to RM680.0 million in the previous corresponding quarter, an increase of RM97.6 million or 14.4%. The increase was mainly due to higher revenue of RM24.4 million, higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM11.7 million, lower allowance for impairment losses on loans, advances and financing of RM53.9 million, lower writeback of allowance for impairment losses on securities of RM3.2 million and lower operating expenses of RM4.4 million.

HLA Holdings Group recorded a profit before tax of RM100.1 million for the current quarter ended 30 June 2018 as compared to RM92.6 million in the previous corresponding quarter, an increase of RM7.5 million or 8.1%. The increase was mainly due to higher life fund surplus of RM6.3 million, lower operating expenses of RM7.8 million and higher revenue of RM4.8 million. This is however offset by higher allowance for impairment losses on securities of RM5.9 million and lower share of profit from associated company of RM5.5 million.

Hong Leong Capital Group recorded a profit before tax of RM20.6 million for the current quarter ended 30 June 2018 as compared to RM18.4 million in the previous corresponding quarter, an increase of RM2.2 million or 12.0%. The increase was mainly due to higher contribution from the investment banking, stockbroking divisions and assets management.

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

HLFG Group recorded a profit before tax of RM3,578.6 million for the year ended 30 June 2018 as compared to RM3,089.9 million last year, an increase of RM488.7 million or 15.8%. The increase was mainly due to higher contribution from the commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM3,246.3 million for the year ended 30 June 2018 as compared to RM2,748.3 million last year, an increase of RM498.0 million or 18.1%. The increase was due to higher revenue of RM288.9 million, higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM172.6 million, higher writeback of impairment losses on financial investment of RM4.9 million and lower allowance for impairment losses on loans, advances and financing of RM84.5 million. This was however offset by higher operating expenses of RM52.9 million.

HLA Holdings Group recorded a profit before tax of RM348.0 million for the year ended 30 June 2018 as compared to RM337.8 million last year, an increase of RM10.2 million or 3.0%. The increase was mainly due to higher revenue of RM24.7 million, lower operating expenses of RM1.4 million and higher life fund surplus of RM0.4 million. This is however offset by lower share of profit from associated company of RM10.3 million and higher allowance for impairment losses on securities of RM6.0 million.

Hong Leong Capital Group recorded a profit before tax of RM78.6 million for the year ended 30 June 2018 as compared to RM84.0 million last year, a decrease of RM5.4 million or 6.4%. This was mainly due to lower contribution from the investment banking and stockbroking divisions.

HLFG's consolidated Common Equity Tier I capital ratio, Tier I capital ratio and Total capital ratio as at 30 June 2018 is 10.230%, 11.044% and 13.143% respectively. The ratios are computed in full compliance with the Capital Adequacy Framework Capital Components) issued by Bank Negara Malaysia on 4 August 2017.

3. Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM870.6 million for the current quarter ended 30 June 2018 as compared to RM942.8 million in the preceding quarter, a decrease of RM72.2 million or 7.7%. The decrease was mainly due to lower contribution from the commercial banking.

Hong Leong Bank Group recorded a profit before tax of RM777.6 million for the current quarter ended 30 June 2018 as compared to RM855.1 million in the preceding quarter, a decrease of RM77.5 million or 9.1%. The decrease was mainly due to lower revenue of RM79.8 million, and lower share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM19.4 million. This was however offset by lower operating expenses of RM15.8 million, lower allowance for impairment losses on loans, advances and financing of RM3.2 million and lower allowance for impairment losses on securities of RM2.7 million.

HLA Holdings Group recorded a profit before tax of RM100.1 million for the current quarter ended 30 June 2018 as compared to RM95.5 million in the preceding quarter, an increase of RM4.6 million or 4.8%. The increase was mainly due to higher revenue of RM2.1 million, lower operating expenses of RM4.1 million and higher life fund surplus of RM9.9 million. This was however offset by higher allowance for impairment losses on securities of RM5.4 million and lower share of profit from associated company of RM6.1 million.

Hong Leong Capital Group recorded a profit before tax of RM20.6 million for the current quarter ended 30 June 2018 as compared to RM20.7 million in the previous corresponding period, a decrease of RM0.1 million or 0.5%. This was mainly due to lower contribution from investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Income tax	210,313	76,587	698,720	538,696
Transfer (to)/from deferred tax	(34,400)	82,670	(16,274)	65,825
	175,913	159,257	682,446	604,521
Prior year under provision	1,558	166,415	1,613	168,544
	177,471	325,672	684,059	773,065

	The Company		The Company	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Income tax	1,371	468	5,411	1,770
Transfer (to)/from deferred tax	(25)	18	(39)	294
	1,346	486	5,372	2,064
Prior year over provision	(20)	(25)	(20)	(25)
	1,326	461	5,352	2,039

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 financial 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
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

10. Borrowings

	Note	The Group and The Company	
		As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
Term loans	(i)	350,108	350,230
Revolving credit	(ii)	210,222	370,197
Medium term notes	(iii)	655,994	656,088
Commercial papers	(iii)	169,610	149,707
		<u>1,385,934</u>	<u>1,526,222</u>
Repayment of term loans			
- less than one year		350,108	350,230
Repayment of revolving credit			
- less than one year		210,222	370,197
Repayment of medium term notes			
- less than one year		402,703	-
- one to three years		253,291	402,775
- three years and above		-	253,313
Repayment of commercial papers			
- less than one year		169,610	149,707
		<u>1,385,934</u>	<u>1,526,222</u>

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

- (a) an unsecured short-term loan facility of RM150 million maturing on 30 July 2018. The term loan with one month interest period bears an interest rate ranging from 3.51% to 3.76% (2017: 3.51% to 3.88%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 30 July 2018. The term loan with one month interest period bears an interest rate ranging from 3.51% to 3.76% (2017: 3.51% to 3.88%) per annum.

(ii) The unsecured revolving credit facilities carried an interest rate ranging from 3.45% to 4.38% (2017: 3.40% to 3.84%) per annum and repayable within 12 months.

(iii) 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 3.66% to 3.806% (2017: 3.38% to 3.75%).

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% (2017: 4.50% 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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

11. Subordinated obligations

	Note	The Group		The Company	
		As at 30/06/2018 RM '000	As at 30/06/2017 RM '000	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	-	-
Add: Interest payable		1,664	1,664	-	-
		<u>1,501,664</u>	<u>1,501,664</u>	-	-
Less: Unamortised discounts		(91)	(277)	-	-
		<u>1,501,573</u>	<u>1,501,387</u>	-	-
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000	-	-
Add: Interest payable		8,815	8,815	-	-
		<u>508,815</u>	<u>508,815</u>	-	-
Less: Unamortised discounts		(1,266)	(1,443)	-	-
		<u>507,549</u>	<u>507,372</u>	-	-
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000	-	-
Add: Profit payable		684	631	-	-
		<u>400,684</u>	<u>400,631</u>	-	-
Less: Unamortised discounts		(54)	(128)	-	-
		<u>400,630</u>	<u>400,503</u>	-	-
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000	-	-
Add: Interest payable		395	526	-	-
		<u>500,395</u>	<u>500,526</u>	-	-
Less: Unamortised discounts		(89)	(271)	-	-
		<u>500,306</u>	<u>500,255</u>	-	-
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000	-	-
Add: Interest payable		399	392	-	-
		<u>50,399</u>	<u>50,392</u>	-	-
Less: Unamortised discounts		(109)	(130)	-	-
		<u>50,290</u>	<u>50,262</u>	-	-
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	-	500,000	-
Add: Interest payable		405	-	405	-
		<u>500,405</u>	-	<u>500,405</u>	-
Less: Unamortised discounts		(68)	-	(806)	-
		<u>500,337</u>	-	<u>499,599</u>	-
		<u>3,460,685</u>	<u>2,959,779</u>	<u>499,599</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.

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

11. Subordinated obligations (continued)

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

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

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

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

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

- (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 may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. 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 HLFG, had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

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

- (f) On 25 June 2018, the Company had issued RM500 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

12. Innovative Tier 1 capital securities

	The Group	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,545	12,771
	<u>512,545</u>	<u>512,771</u>
Less: Unamortised discounts	(2,439)	(4,223)
Add: Fair value adjustments on completion of business combination accounting	2,246	7,075
	<u><u>512,352</u></u>	<u><u>515,623</u></u>

On 10 September 2009, Promino Sdn Bhd ("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-1 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.

13. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000	As at 30/06/2018 RM '000	As at 30/06/2017 RM '000
RM400 million Multi-currency Additional Tier 1 capital securities at par	400,000	-	400,000	-
Add: Interest payable	1,834	-	1,834	-
	<u>401,834</u>	<u>-</u>	<u>401,834</u>	<u>-</u>
Less: Unamortised discounts	(465)	-	(1,083)	-
	<u><u>401,369</u></u>	<u><u>-</u></u>	<u><u>400,751</u></u>	<u><u>-</u></u>

On 30 November 2017, the Company issued RM400 million nominal value of Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400 million Multi-currency Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

14. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2018

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	33,252,323	396,925	(300,709)
(ii) 1 year to 3 years	109,039	-	(7,832)
(iii) More than 3 years	218,695	23,518	(15,846)
- Swaps			
(i) Less than 1 year	10,400,940	167,597	(307,060)
(ii) 1 year to 3 years	1,340,534	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
- Options			
(i) Less than 1 year	2,337,852	15,975	(12,834)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	17,298,574	1,185	(4,048)
(ii) 1 year to 3 years	6,865,450	404	(871)
- Swaps			
(i) Less than 1 year	12,455,753	7,626	(13,201)
(ii) 1 year to 3 years	29,368,386	96,715	(97,945)
(iii) More than 3 years	20,663,773	115,091	(251,216)
- Cross currency swaps			
(i) 1 year to 3 years	80,750	5,031	-
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	483,187	6,756	(6,738)
(iii) More than 3 years	27,315	3,212	(3,212)
Total	136,917,595	971,195	(1,082,140)

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	-	(327)
Total	100,000	-	(327)

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

14. Off-balance sheet financial instruments (continued)

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	-
(iii) 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)
Total	131,930,157	977,604	(1,479,564)

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)
Total	100,000	-	(874)

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

14. Off-balance sheet financial instruments (continued)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM57,213,000 (2017: RM115,444,000) and RM86,167,241,000 (2017: RM85,460,579,000) 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 RM1,049,517,000 (2017: RM1,014,653,000). 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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

14. Off-balance sheet financial instruments (continued)

Liquidity risk

Derivatives

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

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income 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 statements of income. 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 statements of income.

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 statements of income. The deferred gains and losses are then released to the statements of income in the years when the hedged items affects the statements of income.

15. Material litigation

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

16. Dividend

For the financial year ended 30 June 2018, a total single-tier dividend of 40 sen per share was declared and paid (2017: 38 sen per share).

17. Earnings per share

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Net profit attributable to equity holders	454,290	258,794	1,907,442	1,506,765
Weighted average number of ordinary shares ('000)	1,144,495	1,143,552	1,143,824	1,143,552
Basic earnings per share (sen)	39.7	22.6	166.8	131.8

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

17. Earnings per share (continued)

(a) Basic earnings per share (continued)

	The Company		The Company	
	Current quarter ended 30/06/2018 RM '000	Last year quarter ended 30/06/2017 RM '000	Current year to date 30/06/2018 RM '000	Last year to date 30/06/2017 RM '000
Net profit attributable to equity holders	(21,380)	(17,390)	755,869	581,370
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,147,516
Basic earnings per share (sen)	(1.9)	(1.5)	65.9	50.7

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

Dated this 28th August 2018