

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
THE GROUP		
Assets		
Cash and short term funds	8,093,416	8,463,194
Deposits and placements with banks and other financial institutions	2,588,583	4,325,129
Securities purchased under resale agreements	4,415,354	12,163,252
Financial assets held-for-trading	14,505,553	9,238,804
Financial investments available-for-sale	31,803,157	29,623,057
Financial investments held-to-maturity	12,428,878	10,941,838
Derivative financial instruments	1,442,212	1,468,084
Loans, advances and financing	117,562,101	113,111,668
Clients' and brokers' balances	391,224	337,631
Other receivables	1,157,278	1,417,681
Statutory deposits with Central Banks	4,295,011	3,532,372
Tax recoverable	47,428	49,961
Investment in associates	4,079,547	3,740,302
Investment in joint ventures	146,531	129,230
Property and equipment	1,203,529	1,149,955
Goodwill	2,410,645	2,410,644
Intangible assets	320,575	337,842
Total Assets	206,891,022	202,440,644
Liabilities		
Deposits from customers	145,229,397	140,955,465
Deposits and placements of banks and other financial institutions	6,963,099	8,943,622
Obligations on securities sold under repurchase agreements	4,140,271	3,691,338
Bills and acceptances payable	287,917	1,900,967
Derivatives financial instruments	1,519,262	1,369,365
Clients' and brokers' balances	270,129	192,728
Payables and other liabilities	5,745,299	5,796,694
Provision for claims	136,601	128,905
Provision for taxation	229,232	168,926
Deferred tax liabilities	38,131	171,845
Borrowings	4,082,040	3,096,882
Subordinated obligations	3,965,630	5,161,255
Non-innovative Tier 1 stapled securities	1,411,010	1,410,869
Innovative Tier 1 capital securities	525,521	530,223
Insurance funds	9,829,218	9,457,257
Total Liabilities	184,372,757	182,976,341
Equity		
Share capital	1,147,517	1,052,768
Capital reserves	5,625,301	4,083,755
Retained profits	8,050,509	7,816,792
Fair value reserve	138,020	170,409
Treasury shares for ESOS	(34,323)	(12,698)
Total shareholders' equity	14,927,024	13,111,026
Non-controlling interests	7,591,241	6,353,277
Total Equity	22,518,265	19,464,303
Total Liabilities and Equity	206,891,022	202,440,644
Commitment and Contingencies		
	156,212,394	157,622,016
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	13.05	12.48

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015	quarter ended 31/12/2014	to date 31/12/2015	to date 31/12/2014
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,618,817	1,581,721	3,204,102	3,120,116
Interest expense	(941,317)	(872,255)	(1,869,946)	(1,725,355)
Net interest income	677,500	709,466	1,334,156	1,394,761
Net income from Islamic banking business	117,640	105,868	232,172	215,917
Non-interest income	369,890	327,217	745,324	615,382
Net income	1,165,030	1,142,551	2,311,652	2,226,060
Overhead expenses	(711,470)	(510,073)	(1,217,072)	(976,826)
Operating profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	453,560	632,478	1,094,580	1,249,234
Writeback of/(allowance for) impairment losses	(60,282)	53,805	(84,255)	68,719
	9,528	1,748	(12,623)	6,553
	402,806	688,031	997,702	1,324,506
Share of results of associated companies	79,225	105,832	176,419	213,168
Share of results of joint ventures	5,325	2,259	10,214	5,441
Profit before taxation	487,356	796,122	1,184,335	1,543,115
Taxation	(90,951)	(166,432)	(206,251)	(321,551)
Net profit for the financial period	396,405	629,690	978,084	1,221,564
Attributable to:				
Owners of the parent	263,449	423,839	650,331	815,994
Non-controlling interests	132,956	205,851	327,753	405,570
Net profit for the financial period	396,405	629,690	978,084	1,221,564
Earnings per share - basic (sen)	24.5	40.5	61.2	77.9
Earnings per share - fully diluted (sen)	24.5	40.4	61.2	77.8

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
THE GROUP				
Net profit for the financial period	396,405	629,690	978,084	1,221,564
Other comprehensive income/(loss):				
<u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u>				
Share of other comprehensive income of associated companies	3,872	10,724	8,364	7,750
Net fair value changes in financial investments available-for-sale	76,674	(44,841)	(80,014)	(209,021)
Net fair value changes in cash flow hedge	(2,303)	619	322	619
Currency translation differences	(182,905)	49,307	363,037	65,834
Income tax relating to components of other comprehensive loss	(17,849)	11,056	23,018	52,101
Other comprehensive (loss)/income for the financial period, net of tax	(122,511)	26,865	314,727	(82,717)
Total comprehensive income for the financial period, net of tax	<u>273,894</u>	<u>656,555</u>	<u>1,292,811</u>	<u>1,138,847</u>
Attributable to:				
Owners of the parent	183,542	443,429	863,469	724,255
Non-controlling interests	90,352	213,126	429,342	414,592
	<u>273,894</u>	<u>656,555</u>	<u>1,292,811</u>	<u>1,138,847</u>

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	25,425	8,345
Deposits and placements with banks and other financial institutions	9,493	8,888
Derivative financial instruments	358	126
Other receivables	738	788
Tax recoverable	3,264	9,771
Deferred tax assets	3,209	2,170
Investment in subsidiary companies	16,926,730	15,007,609
Property and equipment	2,050	2,375
Intangible assets	160	213
Total Assets	16,971,427	15,040,285
<u>Liabilities</u>		
Derivative financial instruments	407	1,158
Payables and other liabilities	15,040	11,103
Borrowings	1,537,013	860,666
Total Liabilities	1,552,460	872,927
<u>Financed by:</u>		
Share capital	1,147,517	1,052,768
Capital reserves	1,374,484	372,220
Retained profits	12,896,969	12,742,372
Treasury shares for ESOS	(3)	(2)
Total Equity	15,418,967	14,167,358
Total Liabilities and Equity	16,971,427	15,040,285
Commitment and Contingencies	450,000	775,000

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2015	Last year quarter ended 31/12/2014	Current year to date 31/12/2015	Last year to date 31/12/2014
	RM '000	RM '000	RM '000	RM '000
THE COMPANY				
Interest income	4,233	879	4,424	2,621
Interest expense	(14,017)	(11,764)	(23,854)	(26,117)
Net interest expense	(9,784)	(10,885)	(19,430)	(23,496)
Non-interest income	316,876	436,423	322,314	540,544
Net income	307,092	425,538	302,884	517,048
Overhead expenses	(5,010)	(7,406)	(10,271)	(14,609)
Profit before taxation	302,082	418,132	292,613	502,439
Taxation	(1,352)	484	(1,156)	242
Net profit for the financial period	300,730	418,616	291,457	502,681
Earnings per share - basic (sen)	27.9	39.8	27.4	47.8
Earnings per share - fully diluted (sen)	27.9	39.8	27.4	47.8

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2015	Last year quarter ended 31/12/2014	Current year to date 31/12/2015	Last year to date 31/12/2014
	RM '000	RM '000	RM '000	RM '000
THE COMPANY				
Net profit for the financial period	300,730	418,616	291,457	502,681
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	300,730	418,616	291,457	502,681

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	Share capital	Share premium	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP														
At 1 July 2015	1,052,768	117,229	2,964,899	134,868	-	170,409	106	402,388	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	650,331	-	650,331	327,753	978,084
Currency translation differences	-	-	-	-	-	-	-	-	245,368	-	-	245,368	117,669	363,037
Share of other comprehensive income of associates	-	-	-	-	-	5,238	-	-	-	-	-	5,238	3,126	8,364
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(37,627)	-	-	-	-	-	(37,627)	(19,294)	(56,921)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	159	-	-	-	-	159	88	247
Total comprehensive (loss)/income	-	-	-	-	-	(32,389)	159	-	245,368	650,331	-	863,469	429,342	1,292,811
Transaction with owners														
Transfer to statutory reserve	-	-	223,831	-	-	-	-	-	-	(223,831)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	63,585	-	(63,585)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	7,662	-	7,662	(7,662)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(136,860)	-	(136,860)	-	(136,860)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(161,796)	(161,796)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(26,522)	(26,522)
Option charge arising from ESOS	-	-	-	-	6,339	-	-	-	-	-	-	6,339	-	6,339
Issue of share pursuant to rights issue exercise	94,749	1,002,264	-	-	-	-	-	-	-	(3,401)	-	1,093,612	1,004,602	2,098,214
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(18,224)	-	(18,224)	-	(18,224)
At 31 December 2015	1,147,517	1,119,493	3,188,730	134,868	6,339	138,020	265	465,973	709,633	8,050,509	(34,323)	14,927,024	7,591,241	22,518,265

	Share capital	Share premium	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP														
At 1 July 2014	1,052,768	117,229	2,454,525	134,848	7,806	287,257	-	10,266	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	815,994	-	815,994	405,570	1,221,564
Currency translation differences	-	-	-	-	-	-	-	-	47,139	-	-	47,139	18,695	65,834
Share of other comprehensive loss of associates	-	-	-	-	-	4,024	-	-	-	-	-	4,024	3,726	7,750
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(143,206)	-	-	-	-	-	(143,206)	(13,559)	(156,765)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	304	-	-	-	-	304	160	464
Total comprehensive income	-	-	-	-	-	(139,182)	304	-	47,139	815,994	-	724,255	414,592	1,138,847
Transaction with owners														
Transfer to statutory reserves	-	-	257,295	-	-	-	-	-	-	(257,295)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	36,843	-	36,843	9,311	46,154
Dividends paid	-	-	-	-	-	-	-	-	-	(136,470)	-	(136,470)	-	(136,470)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(165,252)	(165,252)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	32,562	32,562
Option charge arising from ESOS	-	-	-	-	1,121	-	-	-	-	-	-	1,121	-	1,121
Exercise of ESOS	-	-	-	-	(1,675)	-	-	-	-	4,048	239	2,612	-	2,612
Transfer to capital redemption reserve	-	-	-	19	-	-	-	-	-	(19)	-	-	-	-
At 31 December 2014	1,052,768	117,229	2,711,820	134,867	7,252	148,075	304	10,266	34,792	7,910,653	(25,183)	12,102,843	5,821,462	17,924,305

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM454,728,000 (31 December 2014:RM Nil) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 2014: RM10,266,000).

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

THE COMPANY	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Share options reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2015	1,052,768	117,229	254,991	-	12,742,372	(2)	14,167,358
Net loss for the financial period	-	-	-	-	291,457	-	291,457
Dividend paid	-	-	-	-	(136,860)	-	(136,860)
Issue of share pursuant to rights issue exercise	94,749	1,002,264	-	-	-	(1)	1,097,012
At 31 December 2015	1,147,517	1,119,493	254,991	-	12,896,969	(3)	15,418,967

	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Share options reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2014	1,052,768	117,229	254,991	4,638	12,332,614	(15,181)	13,747,059
Net profit for the financial period	-	-	-	-	502,681	-	502,681
Dividend paid	-	-	-	-	(136,470)	-	(136,470)
Option charge arising from ESOS	-	-	-	1,033	-	-	1,033
At 31 December 2014	1,052,768	117,229	254,991	5,671	12,698,825	(15,181)	14,114,303

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

	The Group		The Company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	1,184,335	1,543,115	292,613	502,439
Adjustment for non-cash items	212,269	(96,078)	(296,777)	(520,952)
Operating profit before working capital changes	1,396,604	1,447,037	(4,164)	(18,513)
Income tax (paid)/refunded	(248,239)	(265,364)	4,313	-
Interest received	4,424	2,621	4,424	2,621
Changes in working capital				
Net changes in operating assets	(561,665)	(9,343,280)	(3,372)	7,618
Net changes in operating liabilities	1,136,378	5,332,989	3,937	5,610
Net cash generated/(used in) from operating activities	1,727,502	(2,825,998)	5,138	(2,664)
Cash flow from investing activities				
Net purchases of financial investments available-for-sale	(2,515,691)	(3,324,062)	-	-
Net purchases of financial investments held-to-maturity	(1,487,011)	(63,918)	-	-
Interest received on financial investments				
available-for-sale and held-to-maturity	427,644	359,154	-	-
Purchase of intangible assets	(19,558)	(27,817)	(2)	(9)
Purchase of property and equipment	(94,106)	(94,494)	(2)	(649)
Proceeds from disposal of property and equipment	3,576	2,398	-	150
Dividends received from other investments	94,113	96,004	3,031	638
Dividends received from subsidiaries	-	-	314,490	538,617
Dividends received from associated companies	97,888	96,877	-	-
Dividends received from joint ventures companies	3,755	-	-	-
Subscription of shares in joint venture	-	(1,638)	-	(1,638)
Subscription of ordinary shares in subsidiary company	-	-	-	(9,714)
Subscription of redeemable preference shares	-	-	(15,620)	-
Subscription of right issue in subsidiary company	-	-	(1,903,501)	-
Proceeds from redemption of redeemable preference shares	-	-	-	38,503
Net cash (used in)/generated from investing activities	(3,489,390)	(2,957,496)	(1,601,604)	565,898
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(136,860)	(136,470)	(136,860)	(136,470)
Dividends paid to non-controlling interests	(161,796)	(165,252)	-	-
Purchase of treasury shares	(18,224)	-	-	-
Cash received from ESOS exercised	-	2,612	-	-
Drawdown/(Repayment) of revolving credit	290,000	(5,000)	290,000	(5,000)
Redemption of medium term notes and commercial paper	285,000	(2,625,000)	285,000	(625,000)
Drawdown of term loans	95,000	240,000	95,000	240,000
Repayment of subordinated obligations	(1,185,000)	(200,000)	-	-
Net proceeds from rights issue	2,098,214	-	1,097,012	-
Interest paid on subordinated obligations	(108,281)	(114,779)	-	-
Interest paid on borrowings	(59,019)	(144,891)	(17,506)	(25,878)
Interest paid on non-innovative Tier 1 stapled securities	(35,640)	(35,640)	-	-
Interest paid on innovative Tier 1 capital securities	(15,347)	(14,263)	-	-
Net cash used in financing activities	1,048,047	(3,198,683)	1,612,646	(552,348)
Changes in cash and cash equivalents	(713,841)	(8,982,177)	16,180	10,886
Effect of change in foreign exchange rate	343,163	238,486	-	-
Cash and cash equivalents as at 1 July	8,463,194	17,084,360	8,345	6,882
Cash and cash equivalents as at 31 December	8,092,516	8,340,669	24,525	17,768
Analysis of cash and cash equivalent				
Cash and short terms funds	8,093,416	8,349,969	25,425	27,068
Less: restricted cash	(900)	(9,300)	(900)	(9,300)
	8,092,516	8,340,669	24,525	17,768

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 2015 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2015. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2015.

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

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

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

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

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

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

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

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

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

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

3. Seasonality or cyclical nature 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 period.

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 period ended 31 December 2015 other than as mentioned below.

a) Share issuance

During the period ended 31 December 2015, the Company increased its issued and paid-up capital from 1,052,767,789 to 1,147,516,890 via issuance of 94,749,101 new ordinary shares of RM1.00 each on the basis of 9 Rights Share for every 100 existing HLFGB's shares held on 6 November 2015 at an issue price of RM11.60 per rights share ("Rights Issue"). The Rights Issue was completed on 28 December 2015.

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

As at 31 December 2015, there is no outstanding options to be vested and exercised.

Pursuant to the Rights Issue exercise, the trust had subscribed for 92 shares at issue price of RM11.60. As at 31 December 2015, the total number of Treasury Shares for ESOS is 500 at an average price of RM6.31 per share and the total consideration paid, including transaction costs was RM3,155.

During the financial period ended 31 December 2015, the insurance subsidiary companies purchased 1,068,200 units of shares for RM18,224,000 and no shares were exercised pursuant to the Company's ESOS. Pursuant to the Rights Issue exercise, the trust had subscribed for 261,746 shares at issue price of RM11.60.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 December 2015 was 3,611,438 units at an average price of RM9.50 per share with total consideration paid, including transaction costs was RM34,319,865 which have been classified as treasury shares for ESOS at the Group level.

c) Repayment of debt and equity securities

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

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

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7. Dividends paid

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

8. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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

Business segments

The Group comprises the following main business segments:

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

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8. Segmental reporting (continued)

The Group 31 December 2015	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	2,084,890	86,811	157,336	(17,385)	-	2,311,652
Intersegment revenue	11,856	2,168	3,033	323,230	(340,287)	-
	<u>2,096,746</u>	<u>88,979</u>	<u>160,369</u>	<u>305,845</u>	<u>(340,287)</u>	<u>2,311,652</u>
Results for the period ended						
Segment results	896,733	34,328	98,187	295,549	(327,095)	997,702
Share of results of associated companies						176,419
Share of results of joint ventures						10,214
Profit before taxation						<u>1,184,335</u>
Taxation						<u>(206,251)</u>
Net profit for the financial period						<u>978,084</u>
Non-controlling interests						<u>(327,753)</u>
Profit attributable to owners of the parent						<u><u>650,331</u></u>
Other information						
Segment assets	187,737,931	3,666,042	15,202,537	17,158,702	(16,874,190)	<u>206,891,022</u>
Segment liabilities	167,341,771	2,995,798	12,702,577	1,551,030	(218,419)	<u>184,372,757</u>

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8. Segmental reporting (continued)

The Group 31 December 2014	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	2,035,266	83,175	111,255	(3,636)	-	2,226,060
Intersegment revenue	2,740	538	1,935	547,555	(552,768)	-
	<u>2,038,006</u>	<u>83,713</u>	<u>113,190</u>	<u>543,919</u>	<u>(552,768)</u>	<u>2,226,060</u>
Results for the period ended						
Segment results	1,220,879	34,276	81,706	529,216	(541,571)	1,324,506
Share of results of associated companies						213,168
Share of results of joint ventures						5,441
Profit before taxation						<u>1,543,115</u>
Taxation						<u>(321,551)</u>
Net profit for the financial period						<u>1,221,564</u>
Non-controlling interests						<u>(405,570)</u>
Profit attributable to owners of the parent						<u>815,994</u>
Other information						
Segment assets	176,982,877	3,811,877	13,676,412	15,226,802	(14,824,308)	<u>194,873,660</u>
Segment liabilities	161,692,257	3,202,694	11,301,351	994,789	(241,736)	<u>176,949,355</u>

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9. Financial assets held-for-trading

	The Group	
	As at	As at
	31/12/2015	30/06/2015
	RM '000	RM '000
Money market instruments:		
Government treasury bills	66,667	78,632
Malaysian Government securities	281,457	120,509
Negotiable instruments of deposit	10,922,178	5,485,337
Bankers' acceptances and Islamic accepted bills	199,860	457,179
Bank Negara Malaysia bills	-	383,325
Malaysian Government investment certificates	458,593	609,725
Cagamas bonds	366,359	36,450
Khazanah bonds	17,665	-
Other government securities	53,022	33,035
	<u>12,365,801</u>	<u>7,204,192</u>
Quoted securities:		
Shares in Malaysia	563,955	515,312
Shares outside Malaysia	123,327	92,789
Foreign currency bonds in Malaysia	190,611	375,822
Unit trust investments	217,175	189,412
Warrants quoted in Malaysia	3	129
	<u>1,095,071</u>	<u>1,173,464</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	33,138	-
Foreign currency bonds outside Malaysia	4,121	65,864
Structured investments	4,313	-
Private and Islamic debts securities	1,003,109	795,284
	<u>1,044,681</u>	<u>861,148</u>
Total financial assets held-for-trading	<u>14,505,553</u>	<u>9,238,804</u>

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10. Financial investments available-for-sale

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Money market instruments:		
Government treasury bills	-	168,553
Malaysian Government securities	1,059,261	486,964
Malaysian Government investment certificates	2,494,599	3,541,575
Khazanah bonds	313,254	345,140
Cagamas bonds	887,272	905,342
Other government securities	1,561,231	1,580,814
Sukuk	121,987	-
	<u>6,437,604</u>	<u>7,028,388</u>
Quoted securities:		
Shares in Malaysia	1,302,100	1,246,807
Shares outside Malaysia	154,283	239,995
Foreign currency bonds in Malaysia	4,318,107	4,380,452
Foreign currency bonds outside Malaysia	1,968,572	1,452,826
Warrants in Malaysia	465	1,016
Unit trust investments	4,723,117	3,591,062
	<u>12,466,644</u>	<u>10,912,158</u>
Unquoted securities :		
Shares in Malaysia	393,145	393,145
Shares outside Malaysia	17,569	4,134
Foreign currency bonds in Malaysia	721,505	358,364
Foreign currency bonds outside Malaysia	456,650	419,344
Investment-linked funds	300	300
Private debt securities	11,309,740	10,507,224
	<u>12,898,909</u>	<u>11,682,511</u>
Total financial investments available-for-sale	<u>31,803,157</u>	<u>29,623,057</u>

11. Financial investments held-to-maturity

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Money market instruments:		
Government treasury bills	58,926	-
Malaysian Government securities	4,360,673	3,003,596
Malaysian Government investment certificates	6,531,861	6,549,704
Negotiable instruments of deposit	-	2,338
Cagamas bonds	30,409	30,454
Sukuk	71,471	-
Other Government securities	453,885	335,159
	<u>11,507,225</u>	<u>9,921,251</u>
Unquoted securities:		
Loan stocks	49	49
Private and Islamic debt securities	666,876	717,665
Foreign currency bonds in Malaysia	-	98,029
Foreign currency bonds outside Malaysia	199,242	150,358
Unquoted bonds	486	486
Investment in preference shares	55,000	54,000
	<u>921,653</u>	<u>1,020,587</u>
Total financial investments held-to-maturity	<u>12,428,878</u>	<u>10,941,838</u>

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12. Loans, advances and financing

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Overdrafts	3,974,539	4,005,025
Term loans:		
- Housing and shop loans/financing	57,468,779	53,828,770
- Syndicated term loan/financing	9,202,128	9,038,647
- Hire purchase receivables	18,614,438	18,099,246
- Other term loans/financing	8,944,215	9,002,712
Credit/charge card receivables	3,899,192	3,889,314
Bills receivables	1,162,923	1,166,833
Trust receipts	352,325	322,780
Claims on customers under acceptance credits	7,125,414	7,369,680
Block discounting	-	14
Revolving credits	6,928,386	6,549,079
Policy and premium loans	629,921	661,576
Staff loans/financing	163,218	167,557
Other loans/financing	371,446	305,619
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>
Unamortised fair value changes arising from terminated fair value hedges	(1,506)	(2,188)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(959,550)	(969,925)
- individual assessment allowance	(313,767)	(323,071)
Total net loans, advances and financing	<u>117,562,101</u>	<u>113,111,668</u>

(a) By type of customer

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Domestic non-bank financial institutions	600,546	638,549
Domestic business enterprises		
- small and medium enterprises	18,243,863	17,816,923
- others	17,999,210	18,531,751
Government and statutory bodies	24,666	24,448
Individuals	75,279,243	71,743,193
Other domestic entities	168,456	171,386
Foreign entities	6,520,940	5,480,602
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Fixed rate		
- Housing and shop loans/financing	2,679,557	3,575,505
- Hire purchase receivables	18,164,054	17,537,151
- Other fixed rate loan/financing	8,198,753	8,041,365
Variable rate		
- Base lending rate plus	73,119,088	68,912,319
- Cost plus	16,247,615	16,021,109
- Other variables rates	427,857	319,403
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>

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12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Purchase of securities	908,804	927,652
Purchase of transport vehicles	18,443,503	18,020,608
Purchase of landed properties		
- residential	48,663,760	45,307,229
- non-residential	14,754,533	14,231,669
Purchase of fixed assets (excluding landed properties)	431,716	462,979
Personal use	3,734,558	3,523,573
Credit card	3,899,192	3,889,314
Purchase of consumer durables	400	418
Construction	1,422,780	1,257,882
Mergers and acquisition	251,976	258,988
Working capital	23,510,328	23,536,346
Other purpose	2,815,374	2,990,194
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>

(d) By geographical distribution

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Malaysia	113,578,368	110,271,571
Singapore	4,394,034	3,529,821
Hong Kong	32,094	20,063
Vietnam	427,858	319,403
Cambodia	404,570	265,994
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>

(e) By residual contractual maturity

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Within one year	30,261,337	29,502,698
One year to less than three years	7,390,266	7,851,837
Three years to less than five years	10,572,417	10,277,792
Five years and more	70,612,904	66,774,525
Gross loans, advances and financing	<u>118,836,924</u>	<u>114,406,852</u>

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12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Purchase of securities	221	235
Purchase of transport vehicles	170,187	184,180
Purchase of landed properties		
- residential	250,671	207,744
- non-residential	51,474	46,190
Purchase of fixed assets (excluding landed properties)	27,226	34,188
Personal use	40,930	34,714
Credit card	55,240	42,907
Purchase of consumer durables	-	4
Construction	6,788	4,114
Working capital	357,240	365,444
Other purpose	54,022	28,863
Gross impaired loans, advances and financing	<u>1,013,999</u>	<u>948,583</u>

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

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Malaysia	999,839	935,858
Singapore	5,964	-
Vietnam	8,196	12,725
Gross impaired loans, advances and financing	<u>1,013,999</u>	<u>948,583</u>

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

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
As at beginning of the financial period	948,583	1,232,588
Impaired during the financial period	848,377	1,525,362
Performing during the financial period	(400,790)	(792,443)
Amount written back in respect of recoveries	(173,482)	(480,823)
Amount written off	(210,081)	(541,798)
Exchange differences	1,392	5,697
As at end of the financial period	<u>1,013,999</u>	<u>948,583</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>0.9%</u>	<u>0.8%</u>

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12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period	969,925	1,077,911
Net allowance made during the period	178,655	213,042
Amount transferred to individual assessment allowance	(109)	(94)
Amount written off	(183,852)	(310,003)
Unwinding income	(5,954)	(12,129)
Exchange differences	885	1,198
As at end of the financial period	<u>959,550</u>	<u>969,925</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period	323,071	511,647
Net allowance made during the period	26,842	80,769
Amount transferred from collective assessment allowance	109	94
Amount transfer to allowance for impairment losses on securities	-	(5,274)
Amount written back in respect of recoveries	(28,286)	(130,671)
Amount written off	(6,630)	(132,862)
Unwinding income	(1,858)	(5,360)
Exchange differences	519	4,728
As at end of the financial period	<u>313,767</u>	<u>323,071</u>

13. Other receivables

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Investment properties	1,848	1,848
Foreclosed properties	939	1,023
Sundry debtors and other prepayments	257,875	259,729
Treasury related receivable	7,305	429,244
Fee income receivable	11,922	7,123
Collateral pledged for derivative transactions	744,063	518,448
Other receivables	133,326	200,266
	<u>1,157,278</u>	<u>1,417,681</u>
<u>The Company</u>		
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Amount due from subsidiary companies	183	179
Sundry debtors and other prepayments	327	381
Other receivables	228	228
	<u>738</u>	<u>788</u>

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14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Fixed deposits	82,809,123	78,620,058
Short-term placement	10,386,861	13,031,197
Negotiable instruments of deposits	14,497,730	12,879,060
	<u>107,693,714</u>	<u>104,530,315</u>
Demand deposits	20,913,914	20,030,167
Savings deposits	15,892,184	15,823,857
Others	814,012	640,821
Gross deposits from customers	<u>145,313,824</u>	<u>141,025,160</u>
Fair value changes arising from designation at fair value through profit or loss*	(84,427)	(69,695)
Total net deposits from customers	<u>145,229,397</u>	<u>140,955,465</u>

*Note:

The Group have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value. The structured deposits designated at fair value amounted to RM1,552 million (2015:RM1,542 million) for the Group.

(b) By type of customers

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Government and statutory bodies	2,580,847	3,573,261
Business enterprises	68,923,500	65,130,000
Individuals	71,656,709	70,246,132
Others	2,152,768	2,075,767
Gross deposits from customers	<u>145,313,824</u>	<u>141,025,160</u>

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

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Due within six months	82,372,750	79,319,553
More than six months to one year	20,586,226	21,105,271
More than one year to five years	4,004,738	3,375,491
More than five years	730,000	730,000
	<u>107,693,714</u>	<u>104,530,315</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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15. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Licensed banks and investment banks	5,192,682	7,007,161
Licensed Islamic banks	-	49,004
Other financial institutions	1,770,417	1,887,457
	<u>6,963,099</u>	<u>8,943,622</u>
 The maturity structure of deposits and placements of banks and other financial institutions: - One year or less (short term)	 <u>6,963,099</u>	 <u>8,943,622</u>

16. Payables and other liabilities

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Trade payables	1,754,905	1,607,852
Loan advance payment	2,457,570	2,268,769
Post employment benefits obligations - defined contribution plan	1,704	1,695
Treasury and cheque clearing	1,149	533,584
Treasury related payables	268,766	174,206
Sundry creditors and accruals	601,739	564,022
Provision for bonus and staff related expenses	198,540	144,710
Others	460,926	501,856
	<u>5,745,299</u>	<u>5,796,694</u>
	 The Company	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Sundry creditors and accruals	1,768	2,106
Provision for bonus and staff related expenses	13,230	8,956
Post employment benefits obligations - defined contribution plan	42	41
	<u>15,040</u>	<u>11,103</u>

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17. Interest income

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
Loans, advances and financing	1,163,776	1,104,872	2,319,113	2,188,141
Money at call and deposit placements with financial institutions	55,525	77,078	91,718	182,861
Securities purchased under resale agreements	33,040	53,965	87,095	87,491
Financial assets held-for-trading	146,384	155,516	270,265	296,778
Financial investments available-for-sale	135,854	119,576	270,548	224,048
Financial investments held-to-maturity	79,781	67,641	157,096	135,106
Others	4,457	3,073	8,267	5,691
	<u>1,618,817</u>	<u>1,581,721</u>	<u>3,204,102</u>	<u>3,120,116</u>
Of which:				
Interest income earned on impaired loans, advances and financing	11,696	16,979	25,050	30,242

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
Money at call and deposit placements with financial institutions	4,233	389	4,424	1,011
Others	-	490	-	1,610
	<u>4,233</u>	<u>879</u>	<u>4,424</u>	<u>2,621</u>

18. Interest expense

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
Deposits and placements of banks and other financial institutions	29,521	22,876	44,973	43,813
Deposits from customers	734,380	681,212	1,462,100	1,317,451
Short term placements	64,297	51,836	136,008	102,900
Borrowings	36,346	29,648	69,377	87,942
Subordinated bonds	46,847	58,144	97,509	116,497
Non-innovative Tier 1 stapled securities	17,877	17,988	35,781	36,005
Innovative Tier 1 capital securities	8,073	7,640	16,092	14,946
Others	3,976	2,911	8,106	5,801
	<u>941,317</u>	<u>872,255</u>	<u>1,869,946</u>	<u>1,725,355</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
Borrowings	13,933	11,454	23,469	25,507
Others	84	310	385	610
	<u>14,017</u>	<u>11,764</u>	<u>23,854</u>	<u>26,117</u>

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19. Non-Interest Income

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
Net income from insurance business	44,348	54,428	134,388	86,268
Net brokerage and commissions from stockbroking business	8,472	13,527	29,672	29,692
Net unit trust and asset management income	5,426	4,226	9,942	8,125
Fee income:				
Commissions	37,474	37,743	72,430	77,182
Service charges and fees	13,595	14,041	23,583	25,437
Guarantee fees	4,247	4,203	7,813	9,729
Credit card related fees	67,102	65,148	124,579	120,567
Corporate advisory fees	2,197	6,305	3,420	9,438
Commitment fees	8,981	8,921	17,754	18,120
Fee on loans, advances and financing	16,589	16,074	28,962	31,053
Placement fees	6,796	1,372	6,829	4,250
Arranger fees	5,879	2,540	9,153	3,425
Other fee income	23,762	27,015	34,959	39,120
	186,622	183,362	329,482	338,321
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	12,496	25,096	6,536	30,281
Net gain from sale of financial investments available-for-sale	5,555	14,383	12,198	39,907
Net gain from redemption of financial investments held-to-maturity	12	197	29	271
Net loss from sale of derivatives financial instruments	(25,793)	(23,920)	(65,337)	(32,675)
	(7,730)	15,756	(46,574)	37,784
Gross dividend income from:				
Financial assets held-for-trading	3,194	566	4,733	1,064
Financial investments available-for-sale	51,346	38,296	89,380	94,940
	54,540	38,862	94,113	96,004
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	4,165	(5,376)	(7,583)	(5,415)
Derivatives financial instruments	22,021	4,345	49,599	16,622
	26,186	(1,031)	42,016	11,207
Amortisation of fair value changes arising from terminated fair value hedges	(153)	(968)	(404)	(2,444)
Other income:				
Foreign exchange gain/(loss)	49,032	12,902	146,930	(3,417)
Rental income	2,939	1,557	4,659	3,077
Gain on disposal of property and equipment (net)	8	450	20	1,731
Others	200	4,146	1,080	9,034
	52,179	19,055	152,689	10,425
Total non-interest income	369,890	327,217	745,324	615,382

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19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 31/12/2015	Last year quarter ended 31/12/2014	Current year to date 31/12/2015	Last year to date 31/12/2014
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	2,617	2,545	5,544	5,376
Loss arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	18	(50)	16	(50)
Net loss from sale of derivatives financial instruments	(1,910)	(5,522)	(1,910)	(5,363)
Gross dividend income from:				
Financial assets held-for-trading	2,392	468	3,031	638
Subsidiary companies	314,490	436,017	314,490	538,617
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	78	54	-	-
Derivatives financial instruments	(985)	2,741	961	1,146
Other income	176	170	182	180
Total non-interest income	<u>316,876</u>	<u>436,423</u>	<u>322,314</u>	<u>540,544</u>

20. Overhead expenses

	The Group		The Group	
	Current quarter ended 31/12/2015	Last year quarter ended 31/12/2014	Current year to date 31/12/2015	Last year to date 31/12/2014
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	260,950	253,719	521,981	498,267
- Mutual separation scheme (MSS) *	171,658	-	171,658	-
- Medical expenses	7,703	7,000	15,000	12,633
- Training and convention expenses	12,598	10,539	20,143	15,084
- Staff welfare	1,753	2,679	3,792	4,714
- Others	12,634	9,063	23,096	16,288
	<u>467,296</u>	<u>283,000</u>	<u>755,670</u>	<u>546,986</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	20,652	17,683	42,861	37,141
- Amortisation of intangible assets	20,441	19,057	38,672	36,436
- Rental of premises	22,923	22,049	46,975	43,464
- Information technology expenses	35,563	31,617	66,002	61,118
- Security services	7,656	6,550	14,465	12,940
- Electricity, water and sewerage	6,228	5,802	12,375	12,616
- Hire of plant and machinery	4,119	3,533	7,818	6,784
- Others	5,406	6,342	10,706	12,799
	<u>122,988</u>	<u>112,633</u>	<u>239,874</u>	<u>223,298</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	10,921	6,937	16,895	13,010
- Credit card related fees	32,795	32,201	61,791	57,906
- Others	6,040	4,489	11,251	9,365
	<u>49,756</u>	<u>43,627</u>	<u>89,937</u>	<u>80,281</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,923	3,950	8,278	7,294
- Stationery and printing expenses	4,441	5,088	8,440	9,697
- Professional fees	17,750	20,242	32,625	38,870
- Insurance fees	9,981	8,527	18,711	18,354
- Credit card fees	8,999	7,861	18,146	14,997
- Travelling and transport expenses	1,162	1,749	2,198	3,206
- Registration and license fees	2,318	1,596	4,822	2,900
- Brokerage and commission	2,000	1,825	3,486	3,751
- Stamp, postage and courier	5,385	6,035	11,506	11,138
- Others	14,471	13,940	23,379	16,054
	<u>71,430</u>	<u>70,813</u>	<u>131,591</u>	<u>126,261</u>
	<u>711,470</u>	<u>510,073</u>	<u>1,217,072</u>	<u>976,826</u>

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

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20. Overhead expenses (continued)

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,373	5,109	6,865	10,265
- Medical expenses	20	28	44	54
- Training and convention expenses	7	5	8	14
- Staff welfare	70	69	149	137
- Others	108	765	263	1,418
	<u>3,578</u>	<u>5,976</u>	<u>7,329</u>	<u>11,888</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	164	143	327	285
- Amortisation of intangible assets	27	18	55	35
- Rental of premises	184	198	349	386
- Electricity, water and sewerage	12	12	21	22
- Hire of plant and machinery	11	9	19	18
- Others	48	85	126	129
	<u>446</u>	<u>465</u>	<u>897</u>	<u>875</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	6	16	10
- Stationery and printing expenses	18	11	24	24
- Professional fees	332	158	748	432
- Management fees	563	754	1,126	1,309
- Travelling and transport expenses	4	3	17	11
- Others	60	33	114	60
	<u>986</u>	<u>965</u>	<u>2,045</u>	<u>1,846</u>
	<u>5,010</u>	<u>7,406</u>	<u>10,271</u>	<u>14,609</u>

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

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2015 RM '000	quarter ended 31/12/2014 RM '000	to date 31/12/2015 RM '000	to date 31/12/2014 RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Individual assessment allowance	3,975	(57,399)	(1,444)	(66,855)
- Collective assessment allowance	103,438	60,150	178,655	115,688
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	34	34	33	55
- Collective assessment allowance	(4)	5	-	13
(Writeback of)/allowance impairment losses on other assets				
- Individual assessment allowance	-	(95)	-	(95)
Impaired loans and financing:				
- written off	7,840	20,266	11,109	28,089
- recovered	(55,001)	(76,766)	(104,098)	(145,614)
	<u>60,282</u>	<u>(53,805)</u>	<u>84,255</u>	<u>(68,719)</u>

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22. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.50% (2014: 4.00%) and 6.00% (2014: 5.50%) respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.00% (2014: 8.00%) for total capital ratio.

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

Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2015	30/06/2015	31/12/2015	30/06/2015	31/12/2015	30/06/2015
Before deducting proposed dividends						
CET I capital ratio	13.585%	11.147%	12.741%	9.861%	22.222%	23.683%
Tier I capital ratio	14.705%	12.297%	14.034%	11.179%	22.222%	23.683%
Total capital ratio	16.483%	14.715%	16.530%	14.226%	26.142%	27.355%
After deducting proposed dividends						
CET I capital ratio	13.327%	10.750%	12.443%	9.406%	22.222%	20.832%
Tier I capital ratio	14.446%	11.900%	13.736%	10.724%	22.222%	20.832%
Total capital ratio	16.225%	14.318%	16.232%	13.771%	26.142%	24.504%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2015	30/06/2015	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
Paid up share capital	2,167,718	1,879,909	2,167,718	1,879,909	165,000	165,000
Share premium	5,571,314	2,872,183	5,571,314	2,872,183	87,950	87,950
Retained profit	7,766,281	7,819,514	5,741,784	5,653,204	(18,858)	22,742
Other reserves	4,921,976	4,363,914	3,415,003	3,219,396	196,971	197,667
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)	-	-
Less: Other intangible assets	(300,637)	(318,107)	(279,798)	(302,801)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,358)	(32,535)
Less: Deferred tax assets	(42,239)	-	(41,559)	-	(95,002)	(95,002)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,372,414)	(1,242,626)	(954,362)	(952,672)	(144)	(154)
Total CET I capital	16,145,647	12,894,887	13,113,513	9,949,084	303,559	345,668
Additional Tier I capital						
Non-innovative Tier I stapled securities	980,000	980,000	980,000	980,000	-	-
Innovative Tier I capital securities	350,000	350,000	350,000	350,000	-	-
Total additional Tier I capital	1,330,000	1,330,000	1,330,000	1,330,000	-	-
Total Tier I capital	17,475,647	14,224,887	14,443,513	11,279,084	303,559	345,668

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22. Capital adequacy (continued)

Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2015	30/06/2015	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II Capital						
Collective assessment allowance ^ and regulatory reserves #	1,173,439	1,109,877	1,001,870	951,123	3,773	3,825
Subordinated obligations	2,999,186	3,552,000	2,999,186	3,552,000	50,000	50,000
Tier II capital before regulatory adjustments	4,172,625	4,661,877	4,001,056	4,503,123	53,773	53,825
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(817,602)	(815,066)	(217)	(230)
Investment in associated company	(1,970,899)	(1,786,666)	(567,915)	(567,915)	-	-
Investment in joint venture	(87,722)	(77,274)	(46,027)	(46,027)	-	-
Total Tier II capital	2,114,004	2,797,937	2,569,512	3,074,115	53,556	53,595
Total capital	19,589,651	17,022,824	17,013,025	14,353,199	357,115	399,263

^ 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 RM451,914,000 (2015: RM388,112,000), Hong Leong Bank Berhad of RM392,476,000 (2015: RM334,138,000) and Hong Leong Investment Bank Berhad of RM2,814,000 (2015: RM3,031,000) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2015	30/06/2015	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	107,743,714	105,009,787	92,730,077	91,202,163	663,243	678,033
Market risk	3,483,886	3,052,311	3,483,134	3,065,215	389,748	483,713
Operational risk	7,617,628	7,620,076	6,706,914	6,627,632	313,043	297,840
Total RWA	118,845,228	115,682,174	102,920,125	100,895,010	1,366,034	1,459,586

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

	Hong Leong Islamic Bank	
	31/12/2015	30/06/2015
Before deducting proposed dividends		
CET I capital ratio	10.991%	11.323%
Tier I capital ratio	10.991%	11.323%
Total capital ratio	14.707%	15.240%
After deducting proposed dividends		
CET I capital ratio	10.782%	11.253%
Tier I capital ratio	10.782%	11.253%
Total capital ratio	14.498%	15.170%

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23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 31 December 2015.

24. Changes in composition of the Group

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

- (a) Wing Trade Investments Limited, a wholly-owned subsidiary of HLFG in British Virgin Islands, was dissolved on 24 July 2015.
- (b) Promitol Sdn Bhd, a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB") which in turn a subsidiary of HLFG, was dissolved on 29 July 2015.
- (c) ECS Jaya (1969) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFG, was dissolved on 29 January 2016.
- (d) On 8 December 2015, HLCB announced that the liquidator of RC Research Sdn Bhd ("RC Research"), a wholly-owned subsidiary of HLIB which in turn a wholly-owned subsidiary of HLCB, had convened the final meeting for RC Research to conclude the member's voluntary winding-up of RC Research. The Return by Liquidator Relating to Final Meeting of RC Research was lodged on 8 December 2015 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, RC Research will be dissolved.

25. Related party transactions

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

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26. Commitments and contingencies

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

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

	The Group	
	31/12/2015	30/06/2015
	RM'000	RM'000
Direct credit substitutes	117,354	220,983
Certain transaction related contingent items	1,643,041	1,606,465
Short-term self liquidating trade related contingencies	784,376	755,587
Irrevocable commitments to extend credit:		
- less than one year	18,742,352	17,262,934
- more than one year	17,926,088	18,158,775
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	645,820	722,877
Foreign exchange related contracts		
- less than one year	30,721,480	33,596,962
- one year to less than five years	5,308,121	4,409,157
- five years and above	956,730	819,693
Interest rate related contracts		
- less than one year	26,457,256	23,442,517
- one year to less than five years	42,299,692	46,063,835
- five years and above	2,651,267	2,654,631
Equity related contracts		
- less than one year	290,049	360,330
- one year to less than five years	229,805	111,437
Commodity related contracts		
- less than one year	6,803	1,471
- one year to less than five years	801	3,826
Unutilised credit card lines	7,431,359	7,426,036
Others		
- less than one year	-	1,781
- more than one year	-	2,719
Total	156,212,394	157,622,016

	The Company	
	31/12/2015	30/06/2015
	RM'000	RM'000
Interest rate swaps		
- less than one year	350,000	775,000
- one year to less than five years	100,000	-
	450,000	775,000

- b. Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustee Malaysia Berhad, the trustee of the Funds, that if the funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the fund was above the minimum of RM1 million as at 31 December 2015 (30 June 2015: RM1 million).

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27. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instrument are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2015				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	12,365,801	-	12,365,801
- Quoted securities	1,095,071	-	-	1,095,071
- Unquoted securities	-	1,044,681	-	1,044,681
Financial investments available-for-sale				
- Money market instruments	-	6,437,604	-	6,437,604
- Quoted securities	12,466,644	-	-	12,466,644
- Unquoted securities	-	12,501,075	397,834	12,898,909
Derivative financial instruments	557	1,436,390	5,265	1,442,212
	<u>13,562,272</u>	<u>33,785,551</u>	<u>403,099</u>	<u>47,750,922</u>
<u>Financial liabilities</u>				
Derivative financial instruments	1,080	1,512,917	5,265	1,519,262
	<u>1,080</u>	<u>1,512,917</u>	<u>5,265</u>	<u>1,519,262</u>
30 June 2015				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	7,204,192	-	7,204,192
- Quoted securities	1,173,464	-	-	1,173,464
- Unquoted securities	-	861,148	-	861,148
Financial investments available-for-sale				
- Money market instruments	-	7,028,388	-	7,028,388
- Quoted securities	10,912,158	-	-	10,912,158
- Unquoted securities	-	11,285,232	397,279	11,682,511
Derivative financial instruments	42	1,461,090	6,952	1,468,084
	<u>12,085,664</u>	<u>27,840,050</u>	<u>404,231</u>	<u>40,329,945</u>
<u>Financial liabilities</u>				
Derivative financial instruments	2,959	1,359,454	6,952	1,369,365
	<u>2,959</u>	<u>1,359,454</u>	<u>6,952</u>	<u>1,369,365</u>

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
 NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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31 December 2015

Recurring fair value measurements

Financial assets

Derivative financial instruments	-	358	-	358
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Financial liabilities

Derivative financial instruments	-	407	-	407
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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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30 June 2015

Recurring fair value measurements

Financial assets

Derivative financial instruments	-	126	-	126
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Financial liabilities

Derivative financial instruments	-	1,158	-	1,158
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Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
31 December 2015			
As at beginning of the financial period	397,279	6,952	6,952
Total losses recognised in income statement	-	(6,360)	(6,360)
Net fair value changes recognised in other comprehensive income	555	-	-
Purchase	-	4,568	4,568
Disposal	-	105	105
As at end of the financial period	397,834	5,265	5,265
Total losses recognised in statement of income relating to assets/liability held on 31 December 2015	-	(6,360)	(6,360)
Total gain recognised in other comprehensive income relating to assets held on 31 December 2015	555	-	-

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
30 June 2015			
As at beginning of the financial period	369,708	-	-
Total losses recognised in income statement	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchase	-	7,432	7,432
Disposal	(25)	-	-
As at end of the financial period	397,279	6,952	6,952
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,596	-	-

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

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM487.4 million for the current quarter ended 31 December 2015 compared to RM796.1 million in the previous corresponding quarter, a decrease of RM308.7 million or 38.8%. The overall decrease was mainly due to lower contribution from its banking and insurance division.

Hong Leong Bank Group recorded a lower profit before tax of RM425.8 million for the current quarter ended 31 December 2015 compared to RM707.0 million in the previous corresponding quarter, a decrease of RM281.2 million or 39.8%. The decrease in pre-tax profit was mainly due to higher operating expenses of RM194.8 million (inclusive of a one-off Mutual Separation Scheme expense of RM167.1 million), higher allowance for impairment losses on loans, advances and financing amounting to RM114.0 million and lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM22.8 million. This is however mitigated by higher revenue of RM50.1 million.

HLA Holdings Group registered a profit before tax of RM57.3 million for the current quarter ended 31 December 2015 compared to RM70.6 million in the previous corresponding quarter, a decrease of RM13.3 million or 18.8%. The decrease was due to lower net income of RM15.0 million, a lower share of profit from associated company amounting to RM1.3 million and higher operating expenses RM4.5 million. This is however mitigated by lower impairment loss on securities of RM7.5 million.

Hong Leong Capital Group recorded a profit before tax of RM21.5 million for the current quarter ended 31 December 2015 compared to RM15.3 million in the previous corresponding quarter, an increase of RM6.2 million or 40.5%. This was mainly due to higher contribution from its investment banking and stockbroking divisions.

2 Current period-to-date against previous period-to-date

HLFG Group recorded a profit before tax of RM1,184.3 million for the period ended 31 December 2015 as compared to RM1,543.1 million in the previous corresponding period, with a decrease of RM358.8 million or 23.3%. The overall decrease in profit before tax was mainly due to lower contribution from banking division.

Hong Leong Bank Group recorded a lower profit before tax of RM1,050.6 million for the period ended 31 December 2015 as compared to RM1,411.0 million in the previous corresponding period, a decrease of RM360.4 million or 25.5%. The decrease was due to higher operating expenses of RM228.4 million (inclusive of a one-off Mutual Separation Scheme expense of RM167.1 million), higher allowance for impairment losses on loans, advances and financing of RM152.9 million, lower write back of impairment losses from securities of RM1.6 million and lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totaling RM36.1 million. This is however mitigated by higher revenue of RM58.7 million.

HLA Holdings Group registered a profit before tax of RM131.1 million for the period ended 31 December 2015 as compared to RM111.3 million in the previous corresponding period, an increase of RM19.8 million or 17.8%. The increase was largely due to higher net income of RM42.2 million and higher share of profit from associated company by RM3.5 million. This was offset by higher operating expenses of RM8.5 million and lower allowance for impairment losses of RM17.5 million.

Hong Leong Capital Group recorded a profit before tax of RM34.3 million for the period ended 31 December 2015 as compared to RM34.2 million in the previous corresponding period, an increase of RM0.1 million or 0.3%. This is mainly due to higher contribution from the investment banking division and stockbroking divisions.

3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM487.4 million for the current quarter ended 31 December 2015 compared to RM697.0 million in the preceding quarter, a decrease of RM209.6 million or 30.1%. The decrease in profit before tax was mainly due to lower contribution from its banking and insurance division.

Hong Leong Bank Group recorded a profit before tax of RM425.8 million for the current quarter ended 31 December 2015 as compared to RM624.8 million in the preceding quarter, a decrease of RM199.0 million or 31.9%. The decrease was mainly due to higher operating expenses of RM195.4 million (inclusive of a one-off Mutual Separation Scheme expense of RM167.1 million), lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM17.0 million and higher allowance for impairment losses on loans, advances and financing of RM36.1 million. This is however mitigated by higher revenue of RM50.3 million.

HLA Holdings Group recorded a profit before tax of RM57.3 million for the current quarter ended 31 December 2015 compared to RM73.8 million in the preceding quarter, a decrease of RM16.5 million or 22.4%. The decrease was mainly due to lower net income of RM45.6 million, higher operating expenses of RM2.5 million and lower share of profit from associated company by RM0.7 million. This is however mitigated by lower allowance for impairment losses of RM32.3 million.

Hong Leong Capital Group recorded a profit before tax of RM21.5 million for the current quarter ended 31 December 2015 compared to RM12.9 million in the preceding quarter, an increase of RM8.6 million or 66.7%. This was mainly due to higher contribution from its investment banking and stockbroking divisions.

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

Barring unforeseen circumstances, the Group is expected to maintain performance in line with market conditions for the current 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 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Malaysian income tax	126,079	167,365	306,808	328,024
Transfer from deferred tax	(35,224)	(817)	(100,495)	1,584
	<u>90,855</u>	<u>166,548</u>	<u>206,313</u>	<u>329,608</u>
Prior year over provision - Malaysia	96	(116)	(62)	(8,057)
	<u>90,951</u>	<u>166,432</u>	<u>206,251</u>	<u>321,551</u>
	The Company		The Company	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Malaysian income tax	2,030	-	2,194	1,071
Transfer from deferred tax	(678)	(484)	(1,038)	(1,313)
	<u>1,352</u>	<u>(484)</u>	<u>1,156</u>	<u>(242)</u>

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

7 Sale of properties/unquoted investments

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

8 Purchase/sale of quoted securities of the Group

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

9 Status of corporate proposals

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

- (a) On 3 July 2015, HLB announced that it had on 3 July 2015 entered into a conditional share sale agreement (“SSA”) with Hong Leong Real Estate Holdings Sdn Bhd (“HLREH”) for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd (“DCT”) for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA (“Proposed Acquisition”).

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
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10 Borrowings

		The Group	
		As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
	Note		
Revolving credit	(i)	290,384	-
Commercial papers	(ii)	259,672	374,236
Medium term notes	(ii)	756,259	351,194
Term loans	(iii)	180,522	85,072
Senior bonds	(iv)	2,595,203	2,286,380
		<u>4,082,040</u>	<u>3,096,882</u>
Repayment of revolving credit			
- less than one year		290,384	-
Repayment of commercial papers			
- less than one year		259,672	374,236
Repayment of medium term notes			
- one to three years		351,080	100,331
- three years and above		405,179	250,863
Repayment of term loans			
- less than one year		180,522	85,072
Repayment of senior bonds			
- one to three years		2,595,203	2,286,380
		<u>4,082,040</u>	<u>3,096,882</u>
		The Company	
		As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
	Note		
Revolving credit	(i)	290,383	-
Commercial papers	(ii)	259,672	374,236
Medium term notes	(ii)	806,436	401,358
Term loans	(iii)	180,522	85,072
		<u>1,537,013</u>	<u>860,666</u>
Repayment of revolving credit			
- less than one year		290,383	-
Repayment of commercial papers			
- less than one year		259,672	374,236
Repayment of medium term notes			
- one to three years		401,257	150,495
- three years and above		405,179	250,863
Repayment of term loans			
- less than one year		180,522	85,072
		<u>1,537,013</u>	<u>860,666</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
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10 Borrowings (continued)

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.69% to 3.92% (30 June 2015: ranging from 3.58% to 3.77%) per annum and repayable within 12 months.
- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.59% to 3.85% (30 June 2015: 3.58% to 3.82%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.30% to 4.80% (30 June 2015: 4.05% to 4.50%) per annum.

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

- (iii) The Company has the following term loans for the financial year:
- (a) an unsecured short-term loan facility of RM10 million maturing on 11 January 2017. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.
- (b) an unsecured 1 year term loan of RM170 million maturing on 2 July 2016. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.

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

	Note	The Group	
		As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		740,550	435,750
		<u>2,576,100</u>	<u>2,271,300</u>
Add: Interest payable		22,004	19,401
		<u>2,598,104</u>	<u>2,290,701</u>
Less: Unamortised discounts		(2,901)	(4,321)
		<u><u>2,595,203</u></u>	<u><u>2,286,380</u></u>

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

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

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

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

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

		The Group	
		As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
	Note		
RM700 million Tier 2 subordinated debt, at par	(a)	-	685,000
Add: Interest payable		-	12,673
		<u>-</u>	<u>697,673</u>
Less: Unamortised discounts		-	(2)
		<u>-</u>	<u>697,671</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(23)	(124)
		<u>1,006,770</u>	<u>1,006,669</u>
Subordinated medium term notes, at par	(c)	-	500,000
Add: Interest payable		-	65
		<u>-</u>	<u>500,065</u>
Less: Unamortised discounts		-	(350)
Add: Fair value adjustments on completion of business combination accounting		-	(147)
		<u>-</u>	<u>499,568</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,849	1,664
		<u>1,501,849</u>	<u>1,501,664</u>
Less: Unamortised discounts		(790)	(1,027)
		<u>1,501,059</u>	<u>1,500,637</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		9,000	6,895
		<u>509,000</u>	<u>506,895</u>
Less: Unamortised discounts		(1,708)	(204)
		<u>507,292</u>	<u>506,691</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Interest payable		789	736
		<u>400,789</u>	<u>400,736</u>
Less: Unamortised discounts		(336)	(431)
		<u>400,453</u>	<u>400,305</u>
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		592	526
		<u>500,592</u>	<u>500,526</u>
Less: Unamortised discounts		(775)	(1,006)
		<u>499,817</u>	<u>499,520</u>
RM50 million Tier 2 subordinated notes, at par	(h)	50,000	50,000
Add: Interest payable		407	407
		<u>50,407</u>	<u>50,407</u>
Less: Unamortised discounts		(168)	(213)
		<u>50,239</u>	<u>50,194</u>
		<u>3,965,630</u>	<u>5,161,255</u>

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

- (a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt (“Sub Debt”) out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

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

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

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

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

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

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

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

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

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

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

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

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

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

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11 Subordinated obligations (continued)

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

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

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

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

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

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

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

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

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

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

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12 Non-innovative Tier 1 stapled securities

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	11,040
	1,411,041	1,411,040
Less: Unamortised discounts	(31)	(171)
	1,411,010	1,410,869

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

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

13 Innovative Tier 1 capital securities

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	512,771	512,771
Less: Unamortised discounts	(6,622)	(7,367)
Add: Fair value adjustments on completion of business combination accounting	19,372	24,819
	525,521	530,223

On 10 September 2009, Promino, an indirect subsidiary of the Company, issued the first tranche of Innovative Tier 1 Capital Securities (“IT-1 Capital Securities”) amounting to RM500 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

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

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14 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2015

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	18,753,560	509,274	(247,616)
(ii) 1 year to 3 years	39,923	4,678	(10)
(iii) More than 3 years	48,503	-	(27,247)
- Swaps			
(i) Less than 1 year	9,004,345	160,739	(152,435)
(ii) 1 year to 3 years	4,735,379	360,714	(606,665)
(iii) More than 3 years	1,441,046	121,524	(122,186)
- Options			
(i) Less than 1 year	2,963,575	32,657	(26,847)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,065,279	740	(1,080)
(ii) 1 year to 3 years	-	-	-
- Swaps			
(i) Less than 1 year	24,391,977	28,500	(32,767)
(ii) 1 year to 3 years	23,340,726	97,337	(89,091)
(iii) More than 3 years	21,610,233	115,069	(204,254)
Equity related contracts			
(i) Less than 1 year	290,049	1,171	(1,203)
(ii) 1 year to 3 years	222,805	4,094	(4,094)
(iii) More than 3 years	7,000	1,911	-
Commodity related contracts			
(i) Less than 1 year	6,803	3,404	(3,370)
(ii) 1 year to 3 years	801	400	(397)
Total	108,922,004	1,442,212	(1,519,262)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	350,000	358	(197)
(i) 1 year to 3 years	100,000	-	(210)
Total	450,000	358	(407)

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14 Off-Balance Sheet financial instruments (continued)

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

The Group

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

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	775,000	126	(1,158)
Total	775,000	126	(1,158)

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14 Off-Balance Sheet financial instruments (continued)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM59,477,062 (FYE June 2015: RM33,684,338) and RM70,002,396,032 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,465,603,133 (FYE June 2015: RM1,520,741,372). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

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14 Off-Balance Sheet financial instruments (continued)

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

15 Material litigation

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

16 HLFM Dividends

For the financial period ended 31 December 2015, a single-tier dividend of 13 sen per share was declared (31 December 2014: 13 sen per share) and paid on 23 December 2015.

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17 Earnings per share

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Net profit attributable to equity holders	263,449	423,839	650,331	815,994
Weighted average number of ordinary shares ('000)	1,075,325	1,047,663	1,062,727	1,047,663
Basic earnings per share (Sen)	24.5	40.5	61.2	77.9

	The Company		The Company	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Net profit attributable to equity holders	300,730	418,616	291,457	502,681
Weighted average number of ordinary shares ('000)	1,078,514	1,050,722	1,065,641	1,050,722
Basic earnings per share (Sen)	27.9	39.8	27.4	47.8

(b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Net profit attributable to equity holders	263,449	423,839	650,331	815,994
Weighted average number of ordinary shares ('000)				
- during the year	1,075,325	1,047,663	1,062,727	1,047,663
- adjustment for ESOS	-	974	-	974
	<u>1,075,325</u>	<u>1,048,637</u>	<u>1,062,727</u>	<u>1,048,637</u>
Fully diluted earnings per share (Sen)	24.5	40.4	61.2	77.8

	The Company		The Company	
	Current quarter ended 31/12/2015 RM '000	Last year quarter ended 31/12/2014 RM '000	Current year to date 31/12/2015 RM '000	Last year to date 31/12/2014 RM '000
Net profit attributable to equity holders	300,730	418,616	291,457	502,681
Weighted average number of ordinary shares ('000)				
- during the year	1,078,514	1,050,722	1,065,641	1,050,722
- adjustment for ESOS	-	955	-	955
	<u>1,078,514</u>	<u>1,051,677</u>	<u>1,065,641</u>	<u>1,051,677</u>
Fully diluted earnings per share (Sen)	27.9	39.8	27.4	47.8

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18 Realised and unrealised profit

	The Group	
	As at 31/12/2015 RM '000	As at 30/06/2015 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	20,026,595	19,285,289
- Unrealised	925,937	1,161,592
Total share of retained profits from associated companies		
- Realised	2,154,719	1,976,541
- Unrealised	-	1,759
Total share of retained profits from joint ventures		
- Realised	36,861	26,647
	<u>23,144,112</u>	<u>22,451,828</u>
Less: Consolidation adjustments	(15,093,603)	(14,635,036)
Total Group's retained profits as per consolidated accounts	<u>8,050,509</u>	<u>7,816,792</u>

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

Dated this 23 February 2016