

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

	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	8,539,586	12,772,343
Deposits and placements with banks and other financial institutions	9,842,531	6,013,958
Securities purchased under resale agreements	275,197	336,003
Financial assets held-for-trading	9,941,404	9,453,437
Financial investments available-for-sale	38,031,505	35,163,362
Financial investments held-to-maturity	14,397,274	14,581,030
Derivative financial instruments	842,470	977,604
Loans, advances and financing	124,500,499	124,812,079
Clients' and brokers' balances	697,332	508,070
Other receivables	1,297,915	1,529,785
Statutory deposits with Central Banks	3,934,859	3,796,330
Tax recoverable	1,747	1,909
Investment in associates	4,473,093	4,321,625
Investment in joint ventures	169,823	169,185
Property and equipment	1,883,918	1,884,451
Goodwill	2,410,644	2,410,644
Intangible assets	211,600	230,588
Total Assets	221,451,397	218,962,403
<u>Liabilities</u>		
Deposits from customers	151,938,717	154,458,017
Deposits and placements of banks and other financial institutions	9,789,934	7,734,425
Obligations on securities sold under repurchase agreements	3,787,907	2,978,728
Bills and acceptances payable	471,762	364,675
Derivatives financial instruments	1,531,813	1,479,564
Clients' and brokers' balances	591,674	271,738
Payables and other liabilities	9,200,289	8,531,035
Recourse obligations on loans sold to Cagamas Berhad	201,054	202,926
Provision for claims	145,312	147,767
Provision for taxation	256,550	235,309
Deferred tax liabilities	308,752	302,517
Borrowings	1,544,131	1,526,222
Subordinated obligations	2,983,052	2,959,779
Innovative Tier 1 capital securities	504,155	515,623
Insurance funds	12,486,300	12,221,565
Total Liabilities	195,741,402	193,929,890
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	1,545,177	1,590,528
Retained profits	13,009,483	12,527,478
Fair value reserve	269,189	259,635
Treasury shares for ESOS	(35,712)	(35,712)
Total shareholders' equity	17,055,145	16,608,937
Non-controlling interests	8,654,850	8,423,576
Total Equity	25,709,995	25,032,513
Total Liabilities and Equity	221,451,397	218,962,403
Commitment and Contingencies		
	156,848,140	171,332,247
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	14.91	14.52

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
THE GROUP				
Interest income	1,609,142	1,583,827	1,609,142	1,583,827
Interest expense	(880,599)	(901,555)	(880,599)	(901,555)
Net interest income	728,543	682,272	728,543	682,272
Net income from Islamic banking business	159,811	129,601	159,811	129,601
Non-interest income	390,398	369,589	390,398	369,589
Net income	1,278,752	1,181,462	1,278,752	1,181,462
Overhead expenses	(558,246)	(538,020)	(558,246)	(538,020)
Operating profit before allowances	720,506	643,442	720,506	643,442
Allowance for impairment losses on loans, advances and financing and other losses	(43,683)	(23,041)	(43,683)	(23,041)
Allowance for impairment losses	(180)	(4,050)	(180)	(4,050)
	676,643	616,351	676,643	616,351
Share of results of associated companies	159,251	102,935	159,251	102,935
Share of results of joint ventures	4,567	6,228	4,567	6,228
Profit before taxation	840,461	725,514	840,461	725,514
Taxation	(150,374)	(142,154)	(150,374)	(142,154)
Net profit for the financial period	690,087	583,360	690,087	583,360
Attributable to:				
Owners of the parent	455,252	386,192	455,252	386,192
Non-controlling interests	234,835	197,168	234,835	197,168
Net profit for the financial period	690,087	583,360	690,087	583,360
Earnings per share - basic (sen)	39.8	33.8	39.8	33.8
Earnings per share - fully diluted (sen)	39.8	33.8	39.8	33.8

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

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

THE GROUP	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2017	Last year quarter ended 30/09/2016	Current year to date 30/09/2017	Last year to date 30/09/2016
	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	690,087	583,360	690,087	583,360
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income of associated companies	116	2,212	116	2,212
Net fair value changes in financial investments available-for-sale	18,169	102,263	18,169	102,263
Net fair value changes in cash flow hedge	(135)	(984)	(135)	(984)
Currency translation differences	(29,824)	112,107	(29,824)	112,107
Income tax relating to components of other comprehensive income	(3,757)	(23,675)	(3,757)	(23,675)
Other comprehensive (loss)/income for the financial period, net of tax	(15,431)	191,923	(15,431)	191,923
Total comprehensive income for the financial period, net of tax	674,656	775,283	674,656	775,283
Attributable to:				
Owners of the parent	444,351	513,925	444,351	513,925
Non-controlling interests	230,305	261,358	230,305	261,358
	674,656	775,283	674,656	775,283

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

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

	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	17,119	7,721
Deposits and placements with banks and other financial institutions	-	8,400
Other receivables	39,883	39,221
Tax recoverable	1,472	1,685
Deferred tax assets	48	36
Investment in subsidiary companies	16,909,723	16,909,723
Property and equipment	1,266	1,418
Intangible assets	2	13
Total Assets	16,969,513	16,968,217
<u>Liabilities</u>		
Derivative financial instruments	858	874
Payables and other liabilities	11,203	9,489
Borrowings	1,544,131	1,526,222
Total Liabilities	1,556,192	1,536,585
<u>Financed by:</u>		
Share capital	2,267,008	2,267,008
Capital reserves	254,991	254,991
Retained profits	12,891,325	12,909,636
Treasury shares for ESOS	(3)	(3)
Total Equity	15,413,321	15,431,632
Total Liabilities and Equity	16,969,513	16,968,217
Commitment and Contingencies	100,000	100,000

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

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

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017	quarter ended 30/09/2016	to date 30/09/2017	to date 30/09/2016
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	532	148	532	148
Interest expense	(15,773)	(16,878)	(15,773)	(16,878)
Net interest expense	(15,241)	(16,730)	(15,241)	(16,730)
Non-interest income	2,799	2,159	2,799	2,159
Net income	(12,442)	(14,571)	(12,442)	(14,571)
Overhead expenses	(5,668)	(5,583)	(5,668)	(5,583)
Profit before taxation	(18,110)	(20,154)	(18,110)	(20,154)
Taxation	(201)	(258)	(201)	(258)
Net profit for the financial period	(18,311)	(20,412)	(18,311)	(20,412)
Earnings per share - basic (sen)	(1.6)	(1.8)	(1.6)	(1.8)
Earnings per share - fully diluted (sen)	(1.6)	(1.8)	(1.6)	(1.8)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017	quarter ended 30/09/2016	to date 30/09/2017	to date 30/09/2016
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	(18,311)	(20,412)	(18,311)	(20,412)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	(18,311)	(20,412)	(18,311)	(20,412)

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

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

	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 2017	2,267,008	-	-	134,957	29,429	259,635	(703)	680,987	745,858	12,527,478	(35,712)	16,608,937	8,423,576	25,032,513
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	455,252	-	455,252	234,835	690,087
Currency translation differences	-	-	-	-	-	-	-	-	(20,387)	-	-	(20,387)	(9,437)	(29,824)
Share of other comprehensive loss of associates	-	-	-	-	-	(65)	-	-	-	-	-	(65)	181	116
Net fair value changes in financial investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
available-for-sale, net of tax	-	-	-	-	-	9,619	-	-	-	-	-	9,619	4,761	14,380
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	(68)	-	-	-	-	(68)	(35)	(103)
Total comprehensive income/(loss)	-	-	-	-	-	9,554	(68)	-	(20,387)	455,252	-	444,351	230,305	674,656
<u>Transaction with owners</u>														
Transfer to regulatory reserve	-	-	-	-	-	-	-	(27,722)	-	27,722	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(969)	-	(969)	969	-
Option charge arising from ESS granted	-	-	-	-	2,826	-	-	-	-	-	-	2,826	-	2,826
Exercise of ESS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to other capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 September 2017	2,267,008	-	-	134,957	32,255	269,189	(771)	653,265	725,471	13,009,483	(35,712)	17,055,145	8,654,850	25,709,995
At 1 July 2016	1,147,517	1,119,491	3,310,501	134,870	10,205	237,252	(1,129)	602,335	587,368	8,228,437	(35,712)	15,341,135	7,836,021	23,177,156
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	386,192	-	386,192	197,168	583,360
Currency translation differences	-	-	-	-	-	-	-	-	74,937	-	-	74,937	37,170	112,107
Share of other comprehensive income of associates	-	-	-	-	-	1,968	-	-	-	-	-	1,968	244	2,212
Net fair value changes in financial investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
available-for-sale, net of tax	-	-	-	-	-	51,319	-	-	-	-	-	51,319	27,032	78,351
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	(491)	-	-	-	-	(491)	(256)	(747)
Total comprehensive income/(loss)	-	-	-	-	-	53,287	(491)	-	74,937	386,192	-	513,925	261,358	775,283
<u>Transaction with owners</u>														
Transfer to statutory reserves	-	-	13,309	-	-	-	-	-	-	(13,309)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	13,294	-	(13,294)	-	-	-	-
Option charge arising from ESOS	-	-	-	-	3,230	-	-	-	-	-	-	3,230	-	3,230
At 30 September 2016	1,147,517	1,119,491	3,323,810	134,870	13,435	290,539	(1,620)	615,629	662,305	8,588,026	(35,712)	15,858,290	8,097,379	23,955,669

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM642,020,000 (30 September 2016: RM604,384,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2017: RM11,245,000).

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

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

<u>THE COMPANY</u>	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2017	2,267,008	-	254,991	12,909,636	(3)	15,431,632
Net profit for the financial period	-	-	-	(18,311)	-	(18,311)
At 30 September 2017	<u>2,267,008</u>	<u>-</u>	<u>254,991</u>	<u>12,891,325</u>	<u>(3)</u>	<u>15,413,321</u>
At 1 July 2016	1,147,517	1,119,491	254,991	12,764,322	(3)	15,286,318
Net profit for the financial period	-	-	-	(20,412)	-	(20,412)
At 30 September 2016	<u>1,147,517</u>	<u>1,119,491</u>	<u>254,991</u>	<u>12,743,910</u>	<u>(3)</u>	<u>15,265,906</u>

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

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

	The Group		The Company	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	840,461	725,514	(18,110)	(20,154)
Adjustment for non-cash items	(210,796)	103,889	15,387	17,390
Operating profit before working capital changes	629,665	829,403	(2,723)	(2,764)
Income tax (paid)/refunded	(139,263)	(115,951)	-	(700)
Interest received	532	148	532	148
Changes in working capital				
Net changes in operating assets	(3,550,174)	(985,095)	7,740	(80)
Net changes in operating liabilities	1,454,431	(1,769,865)	1,713	2,052
Net cash generated from/(used in) operating activities	(1,604,809)	(2,041,360)	7,262	(1,344)
Cash flow from investing activities				
Net purchases of financial investments available-for-sale	(2,802,548)	(2,677,629)	-	-
Net purchases of financial investments held-to-maturity	183,756	281,541	-	-
Interest received on financial investments available-for-sale and held-to-maturity	288,936	251,289	-	-
Purchase of intangible assets	(2,182)	(4,983)	-	(1)
Net purchase of property and equipment	(33,349)	(53,623)	-	(10)
Proceeds from disposal of property and equipment	712	3,362	-	-
Dividends received from other investments	77,839	72,830	-	-
Dividends received from associated companies	-	88,634	-	-
Dividends received from joint ventures companies	3,428	3,428	-	-
Net cash (used in)/generated from investing activities	(2,283,408)	(2,035,151)	-	(11)
Cash flow from financing activities				
Drawdown of revolving credit (Redemption)/Issuance of medium term notes and commercial paper	(175,000)	(19,700)	(175,000)	(19,700)
(Repayment)/Drawdown of term loans	195,000	(135,000)	195,000	(135,000)
Repayment of subordinated obligations	-	177,913	-	170,000
Interest paid on subordinated obligations	-	(6,223)	-	-
Interest paid on borrowings	(6,295)	-	-	-
Interest paid on innovative Tier 1 capital securities	(17,722)	(15,327)	(17,864)	(17,305)
Interest expense on recourse obligations on loans sold to Cagamas	(19,447)	(19,001)	-	-
	(3,788)	-	-	-
Net cash (used in)/generated from financing activities	(27,252)	(17,338)	2,136	(2,005)
Changes in cash and cash equivalents	(3,915,469)	(4,093,849)	9,398	(3,360)
Effect of change in foreign exchange rate	(25,529)	107,761	-	-
Cash and cash equivalents as at 1 July	12,648,403	10,528,517	6,821	8,720
Cash and cash equivalents as at 30 September	8,707,405	6,542,429	16,219	5,360
Analysis of cash and cash equivalent				
Cash and short terms funds	8,539,586	7,533,167	17,119	5,360
Deposits and placements with banks and other financial institutions	9,842,531	1,761,111	-	9,300
	18,382,117	9,294,278	17,119	14,660
Less: Deposits and placements with banks and other financial institutions with original maturity of more than three months and restricted cash	(9,674,712)	(2,751,849)	(900)	(9,300)
	8,707,405	6,542,429	16,219	5,360

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

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

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2017 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial period ended 30 June 2017. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial period ended 30 June 2017.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2017:

- Amendments to MFRS 107 'Statements of Cash Flows' - Disclosure Initiative
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial period

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

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 30 September 2017 other than as mentioned below.

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

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

As at 30 September 2017, the total number of Treasury Shares for ESOS is 500 at an average price of RM6.31 per share and the total consideration paid, including transaction costs was RM3,155.

During the financial period ended 30 September 2017, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 September 2017 was 3,963,900 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM35,709,188 which have been classified as treasury shares for ESOS at the Group level.

7. Dividends paid

There were no dividends paid during the financial period under review

8. Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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

8. Segmental reporting (continued)

The Group 30 September 2017	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	1,175,216	40,625	77,351	(14,440)	-	1,278,752
Intersegment revenue	3,415	3,854	980	3,165	(11,414)	-
	<u>1,178,631</u>	<u>44,479</u>	<u>78,331</u>	<u>(11,275)</u>	<u>(11,414)</u>	<u>1,278,752</u>
Results for the period ended						
Segment results	628,073	18,354	49,133	(18,128)	(789)	676,643
Share of results of associated companies						159,251
Share of results of joint ventures						4,567
Profit before taxation						840,461
Taxation						(150,374)
Net profit for the financial period						690,087
Non-controlling interests						(234,835)
Profit attributable to owners of the parent						<u>455,252</u>
Other information						
Segment assets	196,990,210	4,608,611	18,816,023	17,178,678	(16,142,125)	<u>221,451,397</u>
Segment liabilities	173,674,381	3,842,730	16,138,833	1,557,853	527,605	<u>195,741,402</u>

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

8. Segmental reporting (continued)

The Group 30 September 2016	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	1,090,817	40,759	63,909	(14,023)	-	1,181,462
Intersegment revenue	5,425	1,924	1,222	2,632	(11,203)	-
	<u>1,096,242</u>	<u>42,683</u>	<u>65,131</u>	<u>(11,391)</u>	<u>(11,203)</u>	<u>1,181,462</u>
Results for the period ended						
Segment results	579,143	18,398	39,925	(20,325)	(790)	616,351
Share of results of associated companies						102,935
Share of results of joint ventures						6,228
Profit before taxation						<u>725,514</u>
Taxation						<u>(142,154)</u>
Net profit for the financial period						583,360
Non-controlling interests						<u>(197,168)</u>
Profit attributable to owners of the parent						<u>386,192</u>
Other information						
Segment assets	188,733,670	4,149,426	16,878,091	17,108,931	(16,885,770)	<u>209,984,348</u>
Segment liabilities	166,894,864	3,427,863	14,278,462	1,671,613	(244,123)	<u>186,028,679</u>

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

9. Financial assets held-for-trading

	The Group	
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
Money market instruments:		
Government treasury bills	329,206	-
Malaysian Government securities	217,956	475,794
Negotiable instruments of deposit	4,763,692	5,177,899
Malaysian Government investment certificates	1,430,434	715,133
Cagamas bonds	25,995	1,013
Other government securities	561,191	557,649
	<u>7,328,474</u>	<u>6,927,488</u>
Quoted securities:		
Shares in Malaysia	757,668	743,504
Shares outside Malaysia	83,988	71,073
Foreign currency bonds in Malaysia	221,250	195,592
Foreign currency bonds outside Malaysia	68,466	62,860
Unit trust investments	351,003	332,260
	<u>1,482,375</u>	<u>1,405,289</u>
Unquoted securities:		
Foreign currency bonds outside Malaysia	5,745	53,087
Malaysia Government sukuk	-	191,394
Corporate bonds and sukuk	1,124,810	876,179
	<u>1,130,555</u>	<u>1,120,660</u>
Total financial assets held-for-trading	<u>9,941,404</u>	<u>9,453,437</u>

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

10. Financial investments available-for-sale

	The Group	
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
Money market instruments:		
Malaysian Government securities	1,024,187	1,367,665
Malaysian Government investment certificates	4,846,887	4,446,014
Khazanah bonds	488,435	406,904
Cagamas bonds	1,418,990	1,458,370
Other government securities	4,052,152	3,284,010
	<u>11,830,651</u>	<u>10,962,963</u>
Quoted securities:		
Shares in Malaysia	1,464,167	1,504,150
Shares outside Malaysia	94,719	114,374
Foreign currency bonds in Malaysia	3,018,722	3,056,104
Foreign currency bonds outside Malaysia	1,525,266	1,818,131
Investment-linked funds	300	300
Unit trust investments	713,013	470,603
	<u>6,816,187</u>	<u>6,963,662</u>
Unquoted securities :		
Shares in Malaysia	457,132	457,132
Shares outside Malaysia	164,664	149,361
Foreign currency bonds in Malaysia	1,250,030	294,300
Foreign currency bonds outside Malaysia	932,406	862,710
Loan Stock	1,318	-
Malaysian Government sukuk	2,136,729	2,040,793
Corporate bonds and sukuk	14,442,388	13,432,441
	<u>19,384,667</u>	<u>17,236,737</u>
Total financial investments available-for-sale	<u><u>38,031,505</u></u>	<u><u>35,163,362</u></u>

11. Financial investments held-to-maturity

	The Group	
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
Money market instruments:		
Government treasury bills	56,608	57,367
Malaysian Government securities	1,909,156	2,764,747
Malaysian Government investment certificates	9,718,089	9,482,704
Other Government securities	483,293	484,230
	<u>12,167,146</u>	<u>12,789,048</u>
Unquoted securities:		
Loan stocks	48	48
Malaysian Government sukuk	814,591	814,591
Corporate bonds and sukuk	1,138,052	697,481
Foreign currency bonds outside Malaysia	245,371	247,796
Redeemable preference shares	32,066	32,066
	<u>2,230,128</u>	<u>1,791,982</u>
Total financial investments held-to-maturity	<u><u>14,397,274</u></u>	<u><u>14,581,030</u></u>

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

12. Loans, advances and financing

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Overdrafts	3,722,752	3,776,243
Term loans:		
- Housing and shop loans/financing	67,100,337	65,998,057
- Syndicated term loan/financing	9,444,010	9,225,253
- Hire purchase receivables	17,874,647	18,159,364
- Other term loans/financing	7,493,867	8,135,246
Credit/charge card receivables	3,807,785	3,997,701
Bills receivables	1,068,857	1,081,635
Trust receipts	277,596	314,042
Claims on customers under acceptance credits	7,259,325	7,451,325
Revolving credits	6,421,949	6,611,688
Policy and premium loans	577,427	584,546
Staff loans/financing	146,007	146,737
Other loans/financing	483,858	486,255
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>
Fair value changes arising from fair value hedges	52	(34)
Unamortised fair value changes arising from terminated fair value hedges	(26)	(36)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(854,906)	(830,407)
- individual assessment allowance	(323,038)	(325,536)
Total net loans, advances and financing	<u>124,500,499</u>	<u>124,812,079</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM184,906,000 (2017: RM184,571,000).

(a) By type of customer

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Domestic non-bank financial institutions	594,162	651,907
Domestic business enterprises		
- small and medium enterprises	20,570,075	20,377,345
- others	14,653,546	15,491,115
Government and statutory bodies	28,862	29,072
Individuals	82,568,801	82,063,090
Other domestic entities	80,535	79,052
Foreign entities	7,182,436	7,276,511
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Fixed rate		
- Housing and shop loans/financing	5,260,143	4,753,971
- Hire purchase receivables	17,484,173	17,747,828
- Other fixed rate loan/financing	7,164,186	7,513,604
Variable rate		
- Base lending rate plus	78,834,217	78,636,505
- Cost plus	16,564,572	16,918,373
- Other variables rates	371,126	397,811
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>

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

12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Purchase of securities	676,832	700,958
Purchase of transport vehicles	17,252,373	17,583,693
Purchase of landed properties		
- residential	57,990,257	56,861,181
- non-residential	15,761,883	15,774,407
Purchase of fixed assets (excluding landed properties)	375,708	379,050
Personal use	3,397,858	3,563,125
Credit card	3,807,785	3,997,701
Purchase of consumer durables	2	-
Construction	1,235,376	1,238,539
Mergers and acquisition	201,207	201,182
Working capital	22,484,669	23,216,086
Other purpose	2,494,467	2,452,170
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>

(d) By geographical distribution

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Malaysia	119,094,486	119,382,844
Singapore	5,376,344	5,379,133
Vietnam	371,126	397,813
Cambodia	836,461	808,302
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>

(e) By residual contractual maturity

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Within one year	26,305,976	27,380,609
One year to less than three years	5,444,685	5,492,203
Three years to less than five years	9,929,300	10,265,641
Five years and more	83,998,456	82,829,639
Gross loans, advances and financing	<u>125,678,417</u>	<u>125,968,092</u>

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

12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Purchase of securities	1,883	2,196
Purchase of transport vehicles	151,338	142,754
Purchase of landed properties		
- residential	336,724	307,234
- non-residential	132,456	133,296
Purchase of fixed assets (excluding landed properties)	2,907	3,332
Personal use	50,674	44,066
Credit card	43,899	48,005
Construction	4,966	7,209
Working capital	499,062	510,724
Other purpose	12,609	16,201
Gross impaired loans, advances and financing	<u>1,236,518</u>	<u>1,215,017</u>

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

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Malaysia	1,230,386	1,208,932
Singapore	566	471
Vietnam	4,881	5,098
Cambodia	685	516
Gross impaired loans, advances and financing	<u>1,236,518</u>	<u>1,215,017</u>

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

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
As at beginning of the financial period/year	1,215,017	957,153
Impaired during the financial period/year	408,492	1,824,594
Performing during the financial period/year	(219,827)	(821,519)
Amount written back in respect of recoveries	(94,446)	(336,403)
Amount written off	(71,823)	(407,656)
Exchange differences	(895)	(1,152)
As at end of the financial period/year	<u>1,236,518</u>	<u>1,215,017</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.0%</u>	<u>1.0%</u>

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

12. Loans, advances and financing (continued)

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

	The Group	
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	830,407	856,971
Net allowance made during the period/year	93,267	282,483
Amount transferred to individual assessment allowance	-	(729)
Amount written off	(65,200)	(298,120)
Unwinding income	(3,474)	(10,732)
Exchange differences	(94)	534
As at end of the financial period/year	<u>854,906</u>	<u>830,407</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period/year	325,536	289,844
Net allowance made during the period/year	16,139	162,679
Amount transferred from collective assessment allowance	-	729
Amount written back in respect of recoveries	(14,615)	(46,433)
Amount written off	(425)	(72,260)
Unwinding income	(2,583)	(8,741)
Exchange differences	(1,014)	(282)
As at end of the financial period/year	<u>323,038</u>	<u>325,536</u>

13. Other receivables

	The Group	
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
Investment properties	2,030	2,030
Foreclosed properties	46	46
Sundry debtors and other prepayments	188,098	181,987
Treasury related receivable	64,085	457,935
Fee income receivable	14,335	16,076
Collateral pledged for derivative transactions	694,495	676,156
Other receivables	334,826	195,555
	<u>1,297,915</u>	<u>1,529,785</u>
The Company		
	As at	As at
	30/09/2017	30/06/2017
	RM '000	RM '000
Amount due from subsidiary companies	38,730	38,646
Sundry debtors and other prepayments	925	312
Other receivables	228	263
	<u>39,883</u>	<u>39,221</u>

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

14. Investment in joint venture

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Unquoted shares outside Malaysia, at cost	24,657	24,657
Cumulative share of results, net of dividend received	21,205	20,882
Exchange fluctuation reserve	8,724	8,842
	<u>54,586</u>	<u>54,381</u>
Equity interest held for sale	115,237	114,804
	<u>169,823</u>	<u>169,185</u>

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

In March 2017, the HLB's Board of Directors has approved the divestment of 37% of HLB's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by HLB to new strategic investors through an exercise via Southwest United Equity Exchange. The sale is expected to be completed by the first half of the financial year ending 30 June 2018. Upon the divestment exercise, the retained interest of 12% of the expanded capital will be recognised as financial asset in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

Investment in joint venture classified as held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as held for sale amounted to RM115,237,000 for the financial period ended 30 September 2017 (30 June 2017: RM114,804,000). The foreign currency translation differences accumulated in equity relating to joint venture classified as held for sale amounted to RM18,417,000 for the financial period ended 30 September 2017 (30 June 2017: RM18,665,000).

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

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

15. Deposits from customers

(a) By type of deposits

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Fixed deposits	84,652,911	88,216,001
Short-term placement	16,013,113	18,312,314
Negotiable instruments of deposits	6,683,329	5,713,184
	<u>107,349,353</u>	<u>112,241,499</u>
Demand deposits	23,348,257	21,186,820
Savings deposits	17,535,207	17,531,603
Others	1,030,029	1,017,170
Gross deposits from customers	<u>149,262,846</u>	<u>151,977,092</u>
At fair value through profit and loss		
Callable range accrual notes	2,562,401	2,442,012
Callable inverse floater, at cost	216,702	155,851
Fair value changes arising from designation at fair value through profit or loss*	(103,232)	(116,938)
Total net deposits from customers	<u>151,938,717</u>	<u>154,458,017</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 fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

(b) By type of customers

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Government and statutory bodies	4,096,792	3,395,343
Business enterprises	60,465,806	62,087,439
Individuals	84,723,521	86,196,444
Others	2,652,598	2,778,791
Gross deposits from customers	<u>151,938,717</u>	<u>154,458,017</u>

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

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Due within six months	84,943,944	93,035,057
More than six months to one year	20,379,883	17,382,345
More than one year to five years	2,025,526	1,824,097
	<u>107,349,353</u>	<u>112,241,499</u>

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

16. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Licensed banks and investment banks	8,032,328	6,312,662
Other financial institutions	1,757,606	1,421,763
	<u>9,789,934</u>	<u>7,734,425</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>9,789,934</u>	<u>7,734,425</u>

17. Payables and other liabilities

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Trade payables	2,388,088	2,333,872
Loan advance payment	3,091,310	2,987,067
Post employment benefits obligations - defined contribution plan	1,827	1,819
Treasury and cheque clearing	173,613	129,556
Treasury related payables	209,177	235,295
Sundry creditors and accruals	440,836	332,197
Provision for bonus and staff related expenses	262,639	207,627
Financial liabilities due to third party investors *	2,021,984	1,773,647
Others	610,815	529,955
	<u>9,200,289</u>	<u>8,531,035</u>
	The Company	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Sundry creditors and accruals	1,467	1,276
Provision for bonus and staff related expenses	9,691	8,169
Post employment benefits obligations - defined contribution plan	45	44
	<u>11,203</u>	<u>9,489</u>

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

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

18. Interest income

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
Loans, advances and financing	1,164,046	1,165,674	1,164,046	1,165,674
Money at call and deposit placements with financial institutions	43,273	29,615	43,273	29,615
Securities purchased under resale agreements	948	24,371	948	24,371
Financial assets held-for-trading	104,692	108,783	104,692	108,783
Financial investments available-for-sale	184,804	157,206	184,804	157,206
Financial investments held-to-maturity	104,132	94,083	104,132	94,083
Others	7,247	4,095	7,247	4,095
	<u>1,609,142</u>	<u>1,583,827</u>	<u>1,609,142</u>	<u>1,583,827</u>
Of which:				
Interest income earned on impaired loans, advances and financing	14,058	6,537	14,058	6,537

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
Money at call and deposit placements with financial institutions	172	148	172	148
Others	360	-	360	-
	<u>532</u>	<u>148</u>	<u>532</u>	<u>148</u>

19. Interest expense

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
Deposits and placements of banks and other financial institutions	40,581	24,643	40,581	24,643
Deposits from customers	690,200	722,624	690,200	722,624
Short term placements	88,557	83,006	88,557	83,006
Borrowings	15,631	26,453	15,631	26,453
Subordinated obligations	29,568	29,642	29,568	29,642
Recourse obligation on loans sold to Cagamas	1,916	1,041	1,916	1,041
Innovative Tier 1 capital securities	9,439	8,739	9,439	8,739
Others	4,707	5,407	4,707	5,407
	<u>880,599</u>	<u>901,555</u>	<u>880,599</u>	<u>901,555</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
Borrowings	15,631	16,869	15,631	16,869
Others	142	9	142	9
	<u>15,773</u>	<u>16,878</u>	<u>15,773</u>	<u>16,878</u>

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

20. Non-Interest Income

	The Group		The Group	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Net income from insurance business	58,335	43,476	58,335	43,476
Net brokerage and commissions from stockbroking business	14,638	15,073	14,638	15,073
Net unit trust and asset management income	7,281	6,328	7,281	6,328
Fee income:				
Commissions	41,492	38,060	41,492	38,060
Service charges and fees	12,597	9,647	12,597	9,647
Guarantee fees	2,818	2,890	2,818	2,890
Credit card related fees	55,429	58,697	55,429	58,697
Corporate advisory fees	1,172	985	1,172	985
Commitment fees	8,588	8,870	8,588	8,870
Fee on loans, advances and financing	8,982	12,466	8,982	12,466
Placement fees	50	-	50	-
Arranger fees	2,083	600	2,083	600
Other fee income	24,228	14,074	24,228	14,074
	157,439	146,289	157,439	146,289
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	14,777	26,084	14,777	26,084
Net gain from sale of financial investments available-for-sale	42,090	28,855	42,090	28,855
Net gain from redemption of financial investments held-to-maturity	-	4	-	4
Net gain/(loss) from sale of derivatives financial instruments	(12,405)	(16,185)	(12,405)	(16,185)
	44,462	38,758	44,462	38,758
Gross dividend income from:				
Financial assets held-for-trading	2,414	522	2,414	522
Financial investments available-for-sale	75,425	72,308	75,425	72,308
	77,839	72,830	77,839	72,830
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(4,204)	8,715	(4,204)	8,715
Derivatives financial instruments	8,460	2,219	8,460	2,219
	4,256	10,934	4,256	10,934
Amortisation of fair value changes arising from terminated fair value hedges	(174)	(21)	(174)	(21)
Net unrealised gain on fair value changes arising from fair value hedges	(1)	-	(1)	-
Other income:				
Foreign exchange gain	19,793	30,374	19,793	30,374
Rental income	1,986	1,141	1,986	1,141
Gain on disposal of property and equipment (net)	455	1,088	455	1,088
Others	4,089	3,319	4,089	3,319
	26,323	35,922	26,323	35,922
Total non-interest income	390,398	369,589	390,398	369,589

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

20 Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 30/09/2017	Last year quarter ended 30/09/2016	Current year to date 30/09/2017	Last year to date 30/09/2016
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	2,782	2,632	2,782	2,632
Net gain/(loss) from sale of derivatives financial instruments	-	(80)	-	(80)
Net unrealised (loss)/gain on revaluation of:				
Derivatives financial instruments	17	(393)	17	(393)
Total non-interest income	2,799	2,159	2,799	2,159

21. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/09/2017	Last year quarter ended 30/09/2016	Current year to date 30/09/2017	Last year to date 30/09/2016
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	280,083	276,050	280,083	276,050
- Medical expenses	7,615	5,698	7,615	5,698
- Training and convention expenses	5,723	8,804	5,723	8,804
- Staff welfare	1,978	3,714	1,978	3,714
- Others	12,399	11,352	12,399	11,352
	307,798	305,618	307,798	305,618
<u>Establishment costs</u>				
- Depreciation of property and equipment	28,333	24,258	28,333	24,258
- Amortisation of intangible assets	20,772	20,171	20,772	20,171
- Rental of premises	21,741	22,665	21,741	22,665
- Information technology expenses	42,723	39,384	42,723	39,384
- Security services	8,023	6,543	8,023	6,543
- Electricity, water and sewerage	7,019	6,337	7,019	6,337
- Hire of plant and machinery	3,215	3,405	3,215	3,405
- Others	9,318	6,651	9,318	6,651
	141,144	129,414	141,144	129,414
<u>Marketing expenses</u>				
- Advertisement and publicity	10,316	5,725	10,316	5,725
- Credit card related fees	25,317	28,293	25,317	28,293
- Others	5,850	4,878	5,850	4,878
	41,483	38,896	41,483	38,896
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,531	4,579	4,531	4,579
- Stationery and printing expenses	3,396	3,496	3,396	3,496
- Professional fees	22,561	14,939	22,561	14,939
- Insurance fees	10,034	9,518	10,034	9,518
- Credit card fees	9,635	9,133	9,635	9,133
- Travelling and transport expenses	960	1,136	960	1,136
- Registration and license fees	2,562	2,529	2,562	2,529
- Brokerage and commission	1,464	1,615	1,464	1,615
- Stamp, postage and courier	4,442	4,704	4,442	4,704
- Others	8,236	12,443	8,236	12,443
	67,821	64,092	67,821	64,092
	558,246	538,020	558,246	538,020

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

21. Overhead expenses (continued)

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,946	3,886	3,946	3,886
- Medical expenses	27	17	27	17
- Training and convention expenses	2	2	2	2
- Staff welfare	130	125	130	125
- Others	176	159	176	159
	<u>4,281</u>	<u>4,189</u>	<u>4,281</u>	<u>4,189</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	152	160	152	160
- Amortisation of intangible assets	11	27	11	27
- Rental of premises	190	190	190	190
- Electricity, water and sewerage	17	10	17	10
- Hire of machinery	4	5	4	5
- Others	50	40	50	40
	<u>424</u>	<u>432</u>	<u>424</u>	<u>432</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	9	8	9
- Stationery and printing expenses	8	5	8	5
- Professional fees	183	170	183	170
- Management fees	563	563	563	563
- Travelling and transport expenses	18	48	18	48
- Others	183	167	183	167
	<u>963</u>	<u>962</u>	<u>963</u>	<u>962</u>
	<u>5,668</u>	<u>5,583</u>	<u>5,668</u>	<u>5,583</u>

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

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2017 RM '000	quarter ended 30/09/2016 RM '000	to date 30/09/2017 RM '000	to date 30/09/2016 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	1,524	7,392	1,524	7,392
- Collective assessment allowance	93,267	70,222	93,267	70,222
Allowance for/(Writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	24	37	24	37
- Collective assessment allowance/(writeback)	1	(2)	1	(2)
Allowance for impairment losses on other assets				
- Individual assessment allowance/(writeback)	(76)	-	(76)	-
Impaired loans and financing:				
- written off	5,291	5,251	5,291	5,251
- recovered	(56,348)	(59,859)	(56,348)	(59,859)
	<u>43,683</u>	<u>23,041</u>	<u>43,683</u>	<u>23,041</u>

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

23. 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 (Capital Component) reissued on 4 August 2017. The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total Capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CcyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CcyB rates yet.

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

Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2017	30/06/2017	30/09/2017	30/06/2017	30/09/2017	30/06/2017
Before deducting proposed dividends						
CET I capital ratio	13.383%	13.788%	12.780%	13.078%	30.201%	29.744%
Tier I capital ratio	13.778%	14.193%	13.246%	13.556%	30.201%	29.744%
Total capital ratio	15.784%	16.280%	15.622%	15.997%	34.392%	33.912%
After deducting proposed dividends						
CET I capital ratio	12.894%	13.286%	12.203%	12.486%	25.796%	25.398%
Tier I capital ratio	13.289%	13.691%	12.669%	12.964%	25.796%	25.398%
Total capital ratio	15.295%	15.779%	15.045%	15.405%	29.987%	29.566%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2017	30/06/2017	30/09/2017	30/06/2017	30/09/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
Paid up share capital	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	13,588,071	13,560,582	10,259,709	10,245,205	246,910	246,910
Other reserves	1,247,874	1,265,223	427,838	422,954	864	648
Less: Treasury shares	(733,961)	(733,961)	(733,961)	(733,961)	-	-
Less: Other intangible assets	(195,675)	(213,323)	(178,365)	(194,870)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,387)	(33,796)
Less: Deferred tax assets	(4,777)	(4,851)	-	-	(90,153)	(90,153)
Less: Investment in subsidiary companies/ associated company/joint venture	(3,021,673)	(2,908,861)	(2,148,516)	(2,148,516)	(160)	(160)
Total CET I capital	16,787,610	16,872,560	13,594,221	13,558,328	377,024	376,399
Additional Tier I capital						
Innovative Tier I capital securities	496,279	495,778	496,279	495,778	-	-
Total additional Tier I capital	496,279	495,778	496,279	495,778	-	-
Total Tier I capital	17,283,889	17,368,338	14,090,500	14,054,106	377,024	376,399

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

23. Capital adequacy (continued)

Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2017	30/06/2017	30/09/2017	30/06/2017	30/09/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II Capital						
Collective assessment allowance ^ and regulatory reserves #	1,271,691	1,281,686	1,064,483	1,067,705	2,357	2,783
Subordinated obligations	1,999,782	1,999,723	1,999,782	1,999,723	50,000	50,000
Tier II capital before regulatory adjustments	3,271,473	3,281,409	3,064,265	3,067,428	52,357	52,783
Less: Investment in subsidiary companies/ associated company/joint venture	(755,419)	(727,215)	(537,129)	(537,129)	(40)	(40)
Total Tier II capital	2,516,054	2,554,194	2,527,136	2,530,299	52,317	52,743
Total capital	19,799,943	19,922,532	16,617,636	16,584,405	429,341	429,142

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

Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM639,749,000 (2017: RM667,238,000), Hong Leong Bank Berhad of RM557,174,000 (2017: RM571,678,000) and Hong Leong Investment Bank Berhad of RM2,269,000 (2017: RM2,504,000) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2017	30/06/2017	30/09/2017	30/06/2017	30/09/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	113,926,263	111,299,987	95,697,087	93,397,418	536,014	461,963
Market risk	3,466,948	3,115,525	3,685,333	3,340,119	427,245	517,433
Operational risk	8,048,862	7,958,340	6,990,704	6,934,552	285,106	286,064
Total RWA	125,442,073	122,373,852	106,373,124	103,672,089	1,248,365	1,265,460

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

	Hong Leong Islamic Bank	
	30/09/2017	30/06/2017
Before deducting proposed dividends		
CET I capital ratio	10.540%	10.622%
Tier I capital ratio	10.540%	10.622%
Total capital ratio	13.780%	13.946%
After deducting proposed dividends		
CET I capital ratio	10.540%	10.622%
Tier I capital ratio	10.540%	10.622%
Total capital ratio	13.780%	13.946%

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

24. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 30 September 2017 except for the followings:-

- (a) On 2 November 2017, Hong Leong Investment Bank ("HLIB"), on behalf of Hong Leong Financial Group ("HLFG") lodged with Securities Commission Malaysia
- (i) a multi-currency perpetual notes programme for the issuance of senior notes ("Senior Notes"), Tier 2 subordinated notes ("Sub-Notes") and Additional Tier 1 capital securities ("Capital Securities") of up to RM25.0 billion (or its equivalent in other currencies) in nominal value ("Notes Programme"); and
 - (ii) a commercial papers programme for the issuance of commercial papers ("CPs") of up to RM3.0 million in nominal value ("CP Programme").

The combined limit of the Notes Programme and the CP Programme shall be RM25.0 billion (or its equivalent in other currencies) in nominal value.

Proceeds from issuances under the Notes Programme and CP Programme shall be utilised, without limitation, to end-lend to HLFG's subsidiaries, for investment into HLFG's subsidiaries, for working capital, general investment and other corporate proposes and/or if required, the refinancing of any existing financing obligations of HLFG and/or any existing Senior Notes, Sub-Notes, Capital Securities and /or CPs issued under the Notes Programme and/or CP Programme.

The Notes Programme has been assigned an AA1 rating for issuances of Senior Notes, AA2 rating for issuances of Sub-Notes and A1 for issuances of Capital Securities, by RAM Rating Services Berhad ("RAM"). The CP Programme has been assigned a P1 rating by RAM.

The Sub-Notes are intended to qualify as Tier 2 capital for HLFG pursuant to the Capital Adequacy Framework (Capital Component) issued by Bank Negara Malaysia ("BNM") on 4 August 2017 and as updated from time to time ("New CA Framework"). The Capital Securities are intended to qualify as Additional Tier 1 capital for HLFG pursuant to the New CA Framework. Approval from BNM for establishment of the Notes Programme was obtained on 15 September 2017 (upon terms and conditions therein contained).

25. 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) On 6 October 2017, Hong Leong Capital Berhad, a subsidiary of HLFG, announced that it had placed its wholly-owned subsidiary, HLG Securities Sdn Bhd ("HLGS"), under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. HLGS is dormant.

26. Related party transactions

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

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

27 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	
	30/09/2017	30/06/2017
	RM'000	RM'000
Direct credit substitutes	83,678	82,785
Certain transaction related contingent items	1,271,499	1,391,111
Short-term self liquidating trade related contingencies	925,945	780,216
Obligations under underwriting agreement	130,000	130,000
Irrevocable commitments to extend credit:		
- less than one year	16,310,422	16,098,253
- more than one year	12,827,655	13,257,147
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	603,893	661,322
Foreign exchange related contracts		
- less than one year	43,168,769	37,699,553
- one year to less than five years	2,997,127	3,758,574
- five years and above	1,115,957	1,260,525
Interest rate related contracts		
- less than one year	27,236,614	45,167,380
- one year to less than five years	38,030,892	37,794,681
- five years and above	4,485,984	5,807,786
Equity related contracts		
- less than one year	284,193	155,471
- one year to less than five years	240,655	286,187
Commodity related contracts		
- less than one year	-	-
Unutilised credit card lines	7,134,857	7,001,256
Total	156,848,140	171,332,247

	The Company	
	30/09/2017	30/06/2017
	RM'000	RM'000
Interest rate swaps		
- one year to less than five years	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

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

The size of the fund was above the minimum of RM1 million as at 30 September 2017 (30 June 2017: RM1 million).

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

28. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2017				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	7,328,474	-	7,328,474
- Quoted securities	1,482,375	-	-	1,482,375
- Unquoted securities	-	1,130,555	-	1,130,555
Financial investments available-for-sale				
- Money market instruments	-	11,830,651	-	11,830,651
- Quoted securities	6,816,187	-	-	6,816,187
- Unquoted securities	-	18,927,535	457,132	19,384,667
Derivative financial instruments	2,221	829,073	11,176	842,470
	<u>8,300,783</u>	<u>40,046,288</u>	<u>468,308</u>	<u>48,815,379</u>
<u>Financial liabilities</u>				
Derivative financial instruments	70	1,520,567	11,176	1,531,813
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,675,871	-	2,675,871
	<u>70</u>	<u>4,196,438</u>	<u>11,176</u>	<u>4,207,684</u>
30 June 2017				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	6,927,488	-	6,927,488
- Quoted securities	1,405,289	-	-	1,405,289
- Unquoted securities	-	1,120,660	-	1,120,660
Financial investments available-for-sale				
- Money market instruments	-	10,962,963	-	10,962,963
- Quoted securities	6,963,662	-	-	6,963,662
- Unquoted securities	-	16,779,585	457,152	17,236,737
Derivative financial instruments	18	969,018	8,568	977,604
	<u>8,368,969</u>	<u>36,759,714</u>	<u>465,720</u>	<u>45,594,403</u>
<u>Financial liabilities</u>				
Derivative financial instruments	1,228	1,469,768	8,568	1,479,564
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,950,693</u>	<u>8,568</u>	<u>3,960,489</u>

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting year during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (30 June 2017 - RM Nil).

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

28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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30 September 2017

Recurring fair value measurements

Financial liabilities

Derivative financial instruments	-	858	-	858
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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 2017

Recurring fair value measurements

Financial liabilities

Derivative financial instruments	-	874	-	874
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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			
30 September 2017			
As at beginning of the financial period	457,152	8,568	8,568
Fair value changes recognised in statements of income	-	227	227
Net fair value changes recognised in other comprehensive income	-	-	-
Purchases	-	2,325	2,325
Disposal	(20)	-	-
Settlements	-	56	56
As at end of the financial period	457,132	11,176	11,176
Fair value changes recognised in statement of income relating to assets/liability held on 30 September 2017	-	227	227

	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 2017			
As at beginning of the financial period	429,720	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchase	-	7,582	7,582
Disposal	(53)	-	-
Settlements	-	(14,306)	(14,306)
Transfer out from level 3	(4,329)	-	-
As at end of the financial period	457,152	8,568	8,568
Fair value changes recognised in statement of income relating to assets/liability held on 30 June 2017	-	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	-	-

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

1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM840.5 million for the current quarter ended 30 September 2017 as compared to RM725.5 million in the previous corresponding quarter, an increase of RM115.0 million or 15.9%. The increase was mainly due to higher contribution from the commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM780.4 million for the current quarter ended 30 September 2017 as compared to RM674.6 million in the previous corresponding quarter, an increase of RM105.8 million or 15.7%. The increase was mainly due to higher revenue of RM82.4 million and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM56.8 million and writeback of allowance for impairment losses on securities of RM3.4 million. This was however offset by higher operating expenses of RM16.5 million and higher allowance for impairment losses on loans, advances and financing of RM20.3 million.

HLA Holdings Group recorded a profit before tax of RM60.6 million for the current quarter ended 30 September 2017 as compared to RM53.6 million in the previous corresponding quarter, an increase of RM7.0 million or 13.1%. The increase was mainly due higher life fund surplus of RM15.9 million and lower allowance for impairment losses on securities of RM0.5 million. This is however offset by lower revenue of RM2.7 million, lower share of profit from associated company of RM2.2 million and higher operating expenses of RM4.5 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 30 September 2017 flat against the previous corresponding quarter.

2 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM840.5 million for the current quarter ended 30 September 2017 as compared to RM768.1 million in the preceding quarter, an increase of RM72.4 million or 9.4%. The increase was mainly due to higher contribution from the commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM780.4 million for the current quarter ended 30 September 2017 as compared to RM680.0 million in the preceding quarter, an increase of RM100.4 million or 14.8%. The increase was mainly due to higher revenue of RM26.7 million, higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM46.7 million, lower operating expenses of RM8.1 million and lower allowance for impairment losses on loans, advances and financing of RM20.3 million. This was however offset by lower writeback of allowance for impairment losses on securities of RM1.4 million.

HLA Holdings Group recorded a profit before tax of RM60.6 million for the current quarter ended 30 September 2017 as compared to RM92.6 million in the preceding quarter, a decrease of RM32.0 million or 34.6%. The decrease was mainly due to lower share of profit from associated company of RM11.3 million, lower revenue of RM8.2 million and lower life fund surplus of RM19.1 million. This was however mitigated by lower operating expenses of RM6.6 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 30 September 2017 flat against the preceding quarter.

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

3 Prospects for the current year

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

4 Variance of actual profit from forecasted profit

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

5 Taxation

	The Group		The Group	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Malaysian income tax	146,827	140,311	146,827	140,311
Transfer from deferred tax	3,547	1,819	3,547	1,819
	<u>150,374</u>	<u>142,130</u>	<u>150,374</u>	<u>142,130</u>
Prior year over provision				
- Malaysia	-	24	-	24
	<u>150,374</u>	<u>142,154</u>	<u>150,374</u>	<u>142,154</u>

	The Company		The Company	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Malaysian income tax	213	-	213	-
Transfer (to)/from deferred tax	(12)	258	(12)	258
	<u>201</u>	<u>258</u>	<u>201</u>	<u>258</u>

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

6 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 period under review.

7 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.

8 Status of corporate proposals

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

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

9 Borrowings

		The Group	
		As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
	Note		
Revolving credit	(i)	195,440	370,197
Commercial papers	(ii)	344,473	149,707
Medium term notes	(ii)	654,117	656,088
Term loans/bridging loan	(iii)	350,101	350,230
		<u>1,544,131</u>	<u>1,526,222</u>
Repayment of revolving credit			
- less than one year		195,440	370,197
Repayment of commercial papers			
- less than one year		344,473	149,707
Repayment of medium term notes			
- less than one year		150,204	-
- one to three years		253,648	402,775
- three years and above		250,265	253,313
Repayment of term loans/bridging loan			
- less than one year		350,101	350,230
- one to five years		-	-
		<u>1,544,131</u>	<u>1,526,222</u>
		The Company	
		As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
	Note		
Revolving credit	(i)	195,440	370,197
Commercial papers	(ii)	344,473	149,707
Medium term notes	(ii)	654,117	656,088
Term loans	(iii)	350,101	350,230
		<u>1,544,131</u>	<u>1,526,222</u>
Repayment of revolving credit			
- less than one year		195,440	370,197
Repayment of commercial papers			
- less than one year		344,473	149,707
Repayment of medium term notes			
- less than one year		150,204	-
- one to three years		253,648	402,775
- three years and above		250,265	253,313
Repayment of term loans			
- less than one year		350,101	350,230
		<u>1,544,131</u>	<u>1,526,222</u>

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

9 Borrowings (continued)

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.45% to 4.08% (30 June 2017: ranging from 3.40% to 3.84%) 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 3.66% to 3.69% (30 June 2017: 3.38% to 3.75%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.50% to 4.80% (30 June 2017: 4.50% to 4.80%) per annum.

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

- (iii) The Company has the following term loans for the financial year:
 - (a) an unsecured short-term loan facility of RM150 million maturing on 11 January 2018. The term loan with one month interest period bears an interest rate at 3.51% (30 June 2017: 3.51% to 3.88%) per annum.
 - (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2017. The term loan with one month interest period bears an interest rate at 3.51% (30 June 2017: 3.51% to 3.88%) per annum.

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

10 Subordinated obligations

	Note	The Group	
		As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000
Add: Interest payable		18,678	1,664
		<u>1,518,678</u>	<u>1,501,664</u>
Less: Unamortised discounts		(218)	(277)
		<u>1,518,460</u>	<u>1,501,387</u>
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000
Add: Interest payable		3,329	8,815
		<u>503,329</u>	<u>508,815</u>
Less: Unamortised discounts		(1,399)	(1,443)
		<u>501,930</u>	<u>507,372</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000
Add: Interest payable		5,471	631
		<u>405,471</u>	<u>400,631</u>
Less: Unamortised discounts		(105)	(128)
		<u>405,366</u>	<u>400,503</u>
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000
Add: Interest payable		6,575	526
		<u>506,575</u>	<u>500,526</u>
Less: Unamortised discounts		(214)	(271)
		<u>506,361</u>	<u>500,255</u>
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000
Add: Interest payable		1,060	392
		<u>51,060</u>	<u>50,392</u>
Less: Unamortised discounts		(125)	(130)
		<u>50,935</u>	<u>50,262</u>
		<u>2,983,052</u>	<u>2,959,779</u>

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

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

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

On 20 March 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.

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

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

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

10 Subordinated obligations (continued)

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

The Sub-Notes constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

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

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

11 Innovative Tier 1 capital securities

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,262	12,771
	502,262	512,771
Less: Unamortised discounts	(3,722)	(4,223)
Add: Fair value adjustments on completion of business combination accounting	5,615	7,075
	504,155	515,623

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

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

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

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

12 Off-Balance Sheet financial instruments

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

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	28,662,948	132,613	(426,189)
(ii) 1 year to 3 years	104,432	-	(1,208)
(ii) More than 3 years	218,695	8,096	(22,543)
- Swaps			
(i) Less than 1 year	10,859,512	279,487	(360,605)
(ii) 1 year to 3 years	1,858,321	17,747	(229,309)
(iii) More than 3 years	1,931,636	133,361	(53,342)
- Options			
(i) Less than 1 year	3,646,309	18,272	(18,465)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	11,594,969	2,628	(70)
- Swaps			
(i) Less than 1 year	15,557,170	9,571	(16,717)
(ii) 1 year to 3 years	23,953,099	146,849	(173,793)
(iii) More than 3 years	18,479,302	81,263	(203,368)
- Cross currency swaps			
(i) Less than 1 year	84,475	38	(15,028)
(ii) 1 year to 3 years	84,475	912	-
Equity related contracts			
(i) Less than 1 year	284,193	2,552	(2,553)
(ii) 1 year to 3 years	205,058	5,934	(5,935)
(iii) More than 3 years	35,597	3,147	(2,688)
Total	117,560,191	842,470	(1,531,813)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	100,000	-	(858)
Total	100,000	-	(858)

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

12 Off-Balance Sheet financial instruments (continued)

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

The Group

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

The Company

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

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

12 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 RM966,718,000 (FYE June 2017: RM115,444,000) and RM69,028,238,000 (FYE June 2017: RM85,460,579,000) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM880,733,000 (FYE June 2017: RM1,014,653,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

12 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.

13 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.

14 HLFG Dividend

No interim dividend has been declared to-date for the current quarter.

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

15 Earnings per share

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Net profit attributable to equity holders	455,252	386,192	455,252	386,192
Weighted average number of ordinary shares ('000)	1,143,552	1,143,552	1,143,552	1,143,552
Basic earnings per share (Sen)	39.8	33.8	39.8	33.8

	The Company		The Company	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Net profit attributable to equity holders	(18,311)	(20,412)	(18,311)	(20,412)
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,147,516
Basic earnings per share (Sen)	(1.6)	(1.8)	(1.6)	(1.8)

(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 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Net profit attributable to equity holders	455,252	386,192	455,252	386,192
Weighted average number of ordinary shares ('000) - during the year	1,143,552	1,143,552	1,143,552	1,143,552
Fully diluted earnings per share (Sen)	39.8	33.8	39.8	33.8

	The Company		The Company	
	Current quarter ended 30/09/2017 RM '000	Last year quarter ended 30/09/2016 RM '000	Current year to date 30/09/2017 RM '000	Last year to date 30/09/2016 RM '000
Net profit attributable to equity holders	(18,311)	(20,412)	(18,311)	(20,412)
Weighted average number of ordinary shares ('000) - during the year	1,147,516	1,147,516	1,147,516	1,147,516
Fully diluted earnings per share (Sen)	(1.6)	(1.8)	(1.6)	(1.8)

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

16 Realised and unrealised profit

	The Group	
	As at 30/09/2017 RM '000	As at 30/06/2017 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	25,869,933	25,419,231
- Unrealised	833,565	972,893
Total share of retained profits from associated companies		
- Realised	2,776,885	2,617,982
- Unrealised	2,705	2,357
Total share of retained profits from joint ventures		
- Realised	73,418	68,851
	<u>29,556,506</u>	<u>29,081,314</u>
Less: Consolidation adjustments	(16,547,023)	(16,553,836)
Total Group's retained profits as per consolidated accounts	<u>13,009,483</u>	<u>12,527,478</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 30th November 2017