

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFGB for the financial year ended 30 June 2016 other than as mentioned below.

a) Share issuance

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

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

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

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

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

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

c) Repayment of debt and equity securities

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

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

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

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

c) Repayment of debt and equity securities (continued)

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

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

7. Dividends paid

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

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

8. Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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8. Segmental reporting (continued)

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

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8. Segmental reporting (continued)

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

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9. Financial assets held-for-trading

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

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10. Financial investments available-for-sale

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

11. Financial investments held-to-maturity

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

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

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

(a) By type of customer

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

(b) By interest/profit rate sensitivity

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

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12. Loans, advances and financing (continued)

(c) By economic purpose

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

(d) By geographical distribution

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

(e) By residual contractual maturity

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

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12. Loans, advances and financing (continued)

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

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

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

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

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

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

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12. Loans, advances and financing (continued)

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

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

13. Other receivables

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

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14. Deposits from customers

(a) By type of deposits

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

*Note:

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

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

(b) By type of customers

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

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

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

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

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

16. Payables and other liabilities

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

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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17. Interest income

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

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

18. Interest expense

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

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19. Non-Interest Income

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

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19. Non-Interest Income (continued)

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

20. Overhead expenses

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

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

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20. Overhead expenses (continued)

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

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

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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22. Capital adequacy

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

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

Basel III

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

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

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

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

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22. Capital adequacy (continued)

Basel III

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

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

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

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

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

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

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

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

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23. Events after Balance Sheet date

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

24. Changes in composition of the Group

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

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

25. Related party transactions

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

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26. Commitments and contingencies

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

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

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

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

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

The size of the fund was above the minimum of RM1 million as at 30 June 2016 (30 June 2015: RM1 million).

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27. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group

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

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

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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2016				
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	80	-	80
Financial liabilities				
Derivative financial instruments	-	1,455	-	1,455
30 June 2015				
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	126	-	126
Financial liabilities				
Derivative financial instruments	-	1,158	-	1,158

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

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

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

Current quarter against previous corresponding quarter

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

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

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

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

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

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

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

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

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

3 Current quarter against preceding quarter

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

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

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

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

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

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

5 Variance of actual profit from forecasted profit

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

6 Taxation

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

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

7 Sale of properties/unquoted investments

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

8 Purchase/sale of quoted securities of the Group

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

9 Status of corporate proposals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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11 Subordinated obligations (continued)

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

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

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

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

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

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

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

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

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

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

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12 Non-innovative Tier 1 stapled securities

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

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

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

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

13 Innovative Tier 1 capital securities

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

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

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

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

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14 Off-Balance Sheet financial instruments

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

The Group

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

The Company

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

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14 Off-Balance Sheet financial instruments (continued)

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

The Group

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

The Company

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

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14 Off-Balance Sheet financial instruments (continued)

Market risk

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

Derivatives

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

Credit risk

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

Derivatives

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

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

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

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

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

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

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14 Off-Balance Sheet financial instruments (continued)

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

15 Material litigation

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

16 HLFG Dividends

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

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17 Earnings per share

(a) Basic earnings per share

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

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

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

(b) Fully diluted earnings per share

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

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

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

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18 Realised and unrealised profit

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

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

Dated this 29th August 2016