

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	7,499,829	9,429,592
Deposits and placements with banks and other financial institutions	2,709,033	3,033,666
Securities purchased under resale agreements	35,064	4,056,670
Financial assets held-for-trading	11,391,027	8,524,673
Financial investments available-for-sale	37,978,628	35,767,092
Financial investments held-to-maturity	14,360,276	12,911,318
Derivative financial instruments	1,582,403	1,062,358
Loans, advances and financing	123,108,407	120,444,892
Clients' and brokers' balances	391,745	395,884
Other receivables	1,202,589	1,818,768
Statutory deposits with Central Banks	3,626,622	4,328,519
Tax recoverable	36,916	29,011
Investment in associates	4,251,100	3,982,091
Investment in joint ventures	162,664	145,183
Property and equipment	1,885,294	1,849,202
Goodwill	2,410,644	2,410,644
Intangible assets	254,161	284,971
<b>Total Assets</b>	<b>212,886,402</b>	<b>210,474,534</b>
<b><u>Liabilities</u></b>		
Deposits from customers	151,044,186	149,490,533
Deposits and placements of banks and other financial institutions	7,863,749	8,106,000
Obligations on securities sold under repurchase agreements	2,775,648	3,494,903
Bills and acceptances payable	327,579	350,455
Derivatives financial instruments	1,717,142	1,654,225
Clients' and brokers' balances	275,386	279,919
Payables and other liabilities	6,691,977	6,237,822
Provision for claims	148,220	141,175
Provision for taxation	158,266	39,357
Deferred tax liabilities	111,131	202,237
Borrowings	2,725,131	3,191,919
Subordinated obligations	2,959,783	2,958,641
Recourse obligations on loans sold to Cagamas Berhad	203,007	-
Innovative Tier 1 capital securities	517,890	521,512
Insurance funds	11,164,295	10,628,680
<b>Total Liabilities</b>	<b>188,683,390</b>	<b>187,297,378</b>
<b><u>Equity</u></b>		
Share capital	1,147,517	1,147,517
Capital reserves	6,090,216	5,763,641
Retained profits	8,826,268	8,228,437
Fair value reserve	92,480	237,252
Treasury shares for ESOS	(35,712)	(35,712)
<b>Total shareholders' equity</b>	<b>16,120,769</b>	<b>15,341,135</b>
Non-controlling interests	8,082,243	7,836,021
<b>Total Equity</b>	<b>24,203,012</b>	<b>23,177,156</b>
<b>Total Liabilities and Equity</b>	<b>212,886,402</b>	<b>210,474,534</b>
<b>Commitment and Contingencies</b>		
	168,625,166	159,472,609
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	14.10	13.42

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Last year</b>	<b>Current year</b>	<b>Last year</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>to date</b>	<b>to date</b>
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	1,581,433	1,618,817	3,165,260	3,204,102
Interest expense	(878,013)	(941,317)	(1,779,568)	(1,869,946)
Net interest income	703,420	677,500	1,385,692	1,334,156
Net income from Islamic banking business	138,409	117,640	268,010	232,172
Non-interest income	512,624	369,890	882,213	745,324
Net income	1,354,453	1,165,030	2,535,915	2,311,652
Overhead expenses	(560,562)	(711,470)	(1,098,582)	(1,217,072)
Operating profit before allowances	793,891	453,560	1,437,333	1,094,580
Allowance for impairment losses on loans, advances and financing and other losses	(28,547)	(60,282)	(51,588)	(84,255)
Writeback of/(Allowance for) impairment losses	1,477	9,528	(2,573)	(12,623)
	766,821	402,806	1,383,172	997,702
Share of results of associated companies	60,095	79,225	163,030	176,419
Share of results of joint ventures	5,578	5,325	11,806	10,214
Profit before taxation	832,494	487,356	1,558,008	1,184,335
Taxation	(168,751)	(90,951)	(310,905)	(206,251)
Net profit for the financial period	663,743	396,405	1,247,103	978,084
Attributable to:				
Owners of the parent	443,033	263,449	829,225	650,331
Non-controlling interests	220,710	132,956	417,878	327,753
Net profit for the financial period	663,743	396,405	1,247,103	978,084
Earnings per share - basic (sen)	38.7	24.5	72.5	61.2
Earnings per share - fully diluted (sen)	38.7	24.5	72.5	61.2

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	663,743	396,405	1,247,103	978,084
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive (loss) /income of associated companies	(9,028)	3,872	(6,816)	8,364
Net fair value changes in financial investments available-for-sale	(375,847)	76,674	(273,584)	(80,014)
Net fair value changes in cash flow hedge	2,126	(2,303)	1,142	322
Currency translation differences	240,494	(182,905)	352,601	363,037
Income tax relating to components of other comprehensive (income)/loss	86,103	(17,849)	62,428	23,018
Other comprehensive (loss)/income for the financial period, net of tax	(56,152)	(122,511)	135,771	314,727
Total comprehensive income for the financial period, net of tax	607,591	273,894	1,382,874	1,292,811
Attributable to:				
Owners of the parent	408,387	183,542	922,312	863,469
Non-controlling interests	199,204	90,352	460,562	429,342
	607,591	273,894	1,382,874	1,292,811

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	10,408	9,620
Deposits and placements with banks and other financial institutions	9,300	8,400
Derivative financial instruments	-	80
Other receivables	778	687
Tax recoverable	2,879	2,729
Deferred tax assets	74	330
Investment in subsidiary companies	16,911,673	16,915,160
Property and equipment	1,420	1,729
Intangible assets	54	106
<b>Total Assets</b>	<b><u>16,936,586</u></b>	<b><u>16,938,841</u></b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	824	1,455
Payables and other liabilities	12,535	9,351
Borrowings	1,371,444	1,641,717
<b>Total Liabilities</b>	<b><u>1,384,803</u></b>	<b><u>1,652,523</u></b>
<b><u>Financed by:</u></b>		
Share capital	1,147,517	1,147,517
Capital reserves	1,374,482	1,374,482
Retained profits	13,029,787	12,764,322
Treasury shares for ESOS	(3)	(3)
<b>Total Equity</b>	<b><u>15,551,783</u></b>	<b><u>15,286,318</u></b>
<b>Total Liabilities and Equity</b>	<b><u>16,936,586</u></b>	<b><u>16,938,841</u></b>
<b>Commitment and Contingencies</b>	<b><u>100,000</u></b>	<b><u>200,000</u></b>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016	quarter ended 31/12/2015	to date 31/12/2016	to date 31/12/2015
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	562	4,233	710	4,424
Interest expense	(15,435)	(14,017)	(32,313)	(23,854)
Net interest expense	(14,873)	(9,784)	(31,603)	(19,430)
Non-interest income	456,123	316,876	458,282	322,314
Net income	441,250	307,092	426,679	302,884
Overhead expenses	(5,647)	(5,010)	(11,230)	(10,271)
Profit before taxation	435,603	302,082	415,449	292,613
Taxation	(549)	(1,352)	(807)	(1,156)
Net profit for the financial period	435,054	300,730	414,642	291,457
Earnings per share - basic (sen)	37.9	27.9	36.1	27.4
Earnings per share - fully diluted (sen)	37.9	27.9	36.1	27.4

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016	quarter ended 31/12/2015	to date 31/12/2016	to date 31/12/2015
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	435,054	300,730	414,642	291,457
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	435,054	300,730	414,642	291,457

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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
<b>THE GROUP</b>														
At 1 July 2016	1,147,517	1,119,491	3,310,501	134,870	10,205	237,252	(1,129)	602,335	587,368	8,228,437	(35,712)	15,341,135	7,836,021	23,177,156
<b>Comprehensive income</b>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	829,225	-	829,225	417,878	1,247,103
Currency translation differences	-	-	-	-	-	-	-	-	237,290	-	-	237,290	115,311	352,601
Share of other comprehensive income of associates	-	-	-	-	-	(5,320)	-	-	-	-	-	(5,320)	(1,496)	(6,816)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(139,452)	-	-	-	-	-	(139,452)	(71,429)	(210,881)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	569	-	-	-	-	569	298	867
Total comprehensive (loss)/income	-	-	-	-	-	(144,772)	569	-	237,290	829,225	-	922,312	460,562	1,382,874
<b>Transaction with owners</b>														
Transfer to statutory reserve	-	-	28,800	-	-	-	-	-	-	(28,800)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	53,417	-	(53,417)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(214,340)	(214,340)
Option charge arising from ESOS	-	-	-	-	6,499	-	-	-	-	-	-	6,499	-	6,499
<b>At 31 December 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>3,339,301</b>	<b>134,870</b>	<b>16,704</b>	<b>92,480</b>	<b>(560)</b>	<b>655,752</b>	<b>824,658</b>	<b>8,826,268</b>	<b>(35,712)</b>	<b>16,120,769</b>	<b>8,082,243</b>	<b>24,203,012</b>

	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 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
<b>Comprehensive income</b>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	650,331	-	650,331	327,753	978,084
Currency translation differences	-	-	-	-	-	-	-	-	245,368	-	-	245,368	117,669	363,037
Share of other comprehensive income of associates	-	-	-	-	-	5,238	-	-	-	-	-	5,238	3,126	8,364
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(37,627)	-	-	-	-	-	(37,627)	(19,294)	(56,921)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	159	-	-	-	-	159	88	247
Total comprehensive (loss)/income	-	-	-	-	-	(32,389)	159	-	245,368	650,331	-	863,469	429,342	1,292,811
<b>Transaction with owners</b>														
Transfer to statutory reserves	-	-	223,831	-	-	-	-	-	-	(223,831)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	63,585	-	(63,585)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	7,662	-	7,662	(7,662)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(136,860)	-	(136,860)	-	(136,860)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(161,796)	(161,796)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(26,522)	(26,522)
Option charge arising from ESOS	-	-	-	-	6,339	-	-	-	-	-	-	6,339	-	6,339
Issue of share pursuant to rights issue exercise	94,749	1,002,264	-	-	-	-	-	-	-	-	(3,401)	1,093,612	1,004,602	2,098,214
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(18,224)	(18,224)	-	(18,224)
<b>At 31 December 2015</b>	<b>1,147,517</b>	<b>1,119,493</b>	<b>3,188,730</b>	<b>134,868</b>	<b>6,339</b>	<b>138,020</b>	<b>265</b>	<b>465,973</b>	<b>709,633</b>	<b>8,050,509</b>	<b>(34,323)</b>	<b>14,927,024</b>	<b>7,591,241</b>	<b>22,518,265</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM644,507,000 (31 December 2015:RM454,728,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 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 2016.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

<b><u>THE COMPANY</u></b>	<b>Share capital RM '000</b>	<b>Share premium RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total equity RM '000</b>
At 1 July 2016	1,147,517	1,119,491	254,991	12,764,322	(3)	15,286,318
Net profit for the financial period	-	-	-	414,642	-	414,642
Dividend paid	-	-	-	(149,177)	-	(149,177)
<b>At 31 December 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>254,991</b>	<b>13,029,787</b>	<b>(3)</b>	<b>15,551,783</b>

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

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	The Group		The Company	
	31/12/2016 RM '000	31/12/2015 RM '000	31/12/2016 RM '000	31/12/2015 RM '000
Profit before taxation	1,558,008	1,184,335	415,449	292,613
Adjustment for non-cash items	(154,481)	212,269	(424,694)	(296,777)
Operating profit before working capital changes	1,403,527	1,396,604	(9,245)	(4,164)
Income tax (paid)/refunded	(245,655)	(248,239)	(700)	4,313
Interest received	710	4,424	710	4,424
Changes in working capital				
Net changes in operating assets	(127,268)	(561,665)	(993)	(3,372)
Net changes in operating liabilities	1,249,046	1,136,378	3,184	3,937
Net cash generated from/(used in) operating activities	2,280,361	1,727,502	(7,044)	5,138
<b>Cash flow from investing activities</b>				
Net purchases of financial investments available-for-sale	(2,671,771)	(2,515,691)	-	-
Net purchases of financial investments held-to-maturity	(1,448,924)	(1,487,011)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	516,331	427,644	-	-
Purchase of intangible assets	(9,003)	(19,558)	(1)	(2)
Purchase of property and equipment	(81,190)	(94,106)	(10)	(2)
Proceeds from disposal of property and equipment	3,501	3,576	-	-
Dividends received from other investments	148,093	94,113	-	3,031
Dividends received from subsidiaries	-	-	456,106	314,490
Dividends received from associated companies	88,634	97,888	-	-
Dividends received from joint ventures companies	3,428	3,755	-	-
Subscription of redeemable preference shares	-	-	-	(15,620)
Subscription of right issue in subsidiary company	-	-	-	(1,903,501)
Proceeds from redemption of redeemable preference shares	-	-	3,501	-
Net cash (used in)/generated from investing activities	(3,450,901)	(3,489,390)	459,596	(1,601,604)
<b>Cash flow from financing activities</b>				
Dividends paid to equity holders of the Company	(149,177)	(136,860)	(149,177)	(136,860)
Dividends paid to non-controlling interests	(214,340)	(161,796)	-	-
Purchase of treasury shares	-	(18,224)	-	-
Drawdown of revolving credit	60,000	290,000	60,000	290,000
(Redemption)/Issuance of medium term notes and commercial paper	(450,000)	285,000	(500,000)	285,000
(Repayment)/Drawdown of term loans	(218,552)	95,000	170,000	95,000
Repayment of subordinated obligations	-	(1,185,000)	-	-
Net proceeds from rights issue	-	2,098,214	-	1,097,012
Interest paid on subordinated obligations	(58,116)	(108,281)	-	-
Interest paid on borrowings	(46,395)	(59,019)	(32,587)	(17,506)
Interest paid on non-innovative Tier 1 stapled securities	-	(35,640)	-	-
Interest paid on innovative Tier 1 capital securities	(17,035)	(15,347)	-	-
Net cash (used in)/generated from financing activities	(1,093,615)	1,048,047	(451,764)	1,612,646
<b>Changes in cash and cash equivalents</b>	<b>(2,264,155)</b>	<b>(713,841)</b>	<b>788</b>	<b>16,180</b>
<b>Effect of change in foreign exchange rate</b>	<b>334,392</b>	<b>343,163</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>9,428,692</b>	<b>8,463,194</b>	<b>8,720</b>	<b>8,345</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>7,498,929</b>	<b>8,092,516</b>	<b>9,508</b>	<b>24,525</b>
<b>Analysis of cash and cash equivalent</b>				
<b>Cash and short terms funds</b>	<b>7,499,829</b>	<b>8,093,416</b>	<b>10,408</b>	<b>25,425</b>
<b>Less: restricted cash</b>	<b>(900)</b>	<b>(900)</b>	<b>(900)</b>	<b>(900)</b>
	<b>7,498,929</b>	<b>8,092,516</b>	<b>9,508</b>	<b>24,525</b>

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



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 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 2016. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2016.

The unaudited condensed financial statements 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 period ended 30 June 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

(i) Amendment to MFRS 11	"Joint Arrangements"
Amendment to MFRS 116	"Property, Plant and Equipment"
Amendment to MFRS 138	"Intangible Assets"

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

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.

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

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

**3. Seasonality or cyclicity of operations**

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

**4. Exceptional items or unusual events affecting financial statements**

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

**5. Variation from financial estimates reported in preceding financial period**

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**6. Issuance and repayment of debt and equity securities**

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 December 2016 other than as mentioned below.

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

As at 31 December 2016, there is no outstanding options to be vested and exercised.

As at 31 December 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 period ended 31 December 2016, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 December 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.

**7. Dividends paid**

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2016</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the period ended</b>						
External revenue	2,264,928	92,437	203,696	(25,146)	-	2,535,915
Intersegment revenue	10,055	3,361	2,412	461,543	(477,371)	-
	<u>2,274,983</u>	<u>95,798</u>	<u>206,108</u>	<u>436,397</u>	<u>(477,371)</u>	<u>2,535,915</u>
<b>Results for the period ended</b>						
Segment results	1,230,426	39,904	155,224	418,715	(461,097)	1,383,172
Share of results of associated companies						163,030
Share of results of joint ventures						11,806
Profit before taxation						<u>1,558,008</u>
Taxation						(310,905)
Net profit for the financial period						<u>1,247,103</u>
Non-controlling interests						(417,878)
Profit attributable to owners of the parent						<u><u>829,225</u></u>
<b>Other information</b>						
Segment assets	191,685,931	4,234,727	16,814,060	17,114,658	(16,962,974)	<u><u>212,886,402</u></u>
Segment liabilities	169,864,779	3,526,408	14,224,700	1,386,434	(318,931)	<u><u>188,683,390</u></u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2015</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the period ended</b>						
External revenue	2,084,890	86,811	152,634	(12,683)	-	2,311,652
Intersegment revenue	11,856	2,168	3,033	323,230	(340,287)	-
	<u>2,096,746</u>	<u>88,979</u>	<u>155,667</u>	<u>310,547</u>	<u>(340,287)</u>	<u>2,311,652</u>
<b>Results for the period ended</b>						
Segment results	896,733	34,328	98,187	295,549	(327,095)	997,702
Share of results of associated companies						176,419
Share of results of joint ventures						10,214
Profit before taxation						<u>1,184,335</u>
Taxation						<u>(206,251)</u>
Net profit for the financial period						978,084
Non-controlling interests						<u>(327,753)</u>
Profit attributable to owners of the parent						<u>650,331</u>
<b>Other information</b>						
Segment assets	187,737,931	3,666,042	15,202,537	17,158,702	(16,874,190)	<u>206,891,022</u>
Segment liabilities	167,341,771	2,995,798	12,702,577	1,551,030	(218,419)	<u>184,372,757</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**9. Financial assets held-for-trading**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	99,702	119,332
Malaysian Government securities	945,117	239,083
Negotiable instruments of deposit	6,625,592	4,848,396
Malaysian Government investment certificates	1,145,759	320,952
Cagamas bonds	105,832	55,474
Other government securities	424,439	158,666
	<u>9,346,441</u>	<u>5,741,903</u>
Quoted securities:		
Shares in Malaysia	598,690	478,460
Shares outside Malaysia	101,768	66,899
Foreign currency bonds in Malaysia	95,368	488,718
Unit trust investments	252,474	241,851
Warrants quoted in Malaysia	67	-
	<u>1,048,367</u>	<u>1,275,928</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	-	53,001
Foreign currency bonds outside Malaysia	18,065	134,406
Corporate bonds and sukuk	978,154	1,319,435
	<u>996,219</u>	<u>1,506,842</u>
Total financial assets held-for-trading	<u>11,391,027</u>	<u>8,524,673</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	123,819	69,206
Malaysian Government securities	1,270,310	1,040,565
Malaysian Government investment certificates	3,813,400	3,547,351
Khazanah bonds	404,310	334,686
Cagamas bonds	1,301,833	1,019,398
Other government securities	2,375,408	1,790,368
	<u>9,289,080</u>	<u>7,801,574</u>
Quoted securities:		
Shares in Malaysia	1,521,270	1,344,786
Shares outside Malaysia	157,172	135,991
Foreign currency bonds in Malaysia	3,435,950	3,606,238
Foreign currency bonds outside Malaysia	2,304,192	1,954,369
Unit trust investments	6,336,037	7,079,657
	<u>13,754,621</u>	<u>14,121,041</u>
Unquoted securities :		
Shares in Malaysia	425,319	425,319
Shares outside Malaysia	4,896	4,402
Foreign currency bonds in Malaysia	205,937	1,125,156
Foreign currency bonds outside Malaysia	469,318	468,925
Investment-linked funds	300	300
Malaysian Government sukuk	2,234,735	820,552
Corporate bonds and sukuk	11,594,422	10,999,823
	<u>14,934,927</u>	<u>13,844,477</u>
Total financial investments available-for-sale	<u>37,978,628</u>	<u>35,767,092</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	60,729	54,922
Malaysian Government securities	3,025,812	3,403,858
Malaysian Government investment certificates	9,038,254	7,731,720
Cagamas bonds	-	30,356
Other Government securities	641,989	395,513
	<u>12,766,784</u>	<u>11,616,369</u>
Unquoted securities:		
Loan stocks	48	48
Malaysian Government sukuk	714,709	470,220
Corporate bonds and sukuk	707,612	667,159
Foreign currency bonds outside Malaysia	139,057	125,456
Redeemable preference shares	32,066	32,066
	<u>1,593,492</u>	<u>1,294,949</u>
Total financial investments held-to-maturity	<u>14,360,276</u>	<u>12,911,318</u>

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

	The Group	
	As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
Overdrafts	3,835,364	3,857,485
Term loans:		
- Housing and shop loans/financing	63,302,533	60,462,347
- Syndicated term loan/financing	9,498,783	9,339,212
- Hire purchase receivables	18,463,897	18,682,098
- Other term loans/financing	8,724,552	8,605,184
Credit/charge card receivables	3,992,897	3,755,348
Bills receivables	1,145,825	1,107,690
Trust receipts	371,239	381,531
Claims on customers under acceptance credits	7,018,971	7,439,144
Revolving credits	6,668,386	6,757,003
Policy and premium loans	601,908	614,679
Staff loans/financing	150,535	164,914
Other loans/financing	466,744	425,856
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>
Unamortised fair value changes arising from terminated fair value hedges	(263)	(784)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(839,137)	(856,971)
- individual assessment allowance	(293,827)	(289,844)
Total net loans, advances and financing	<u>123,108,407</u>	<u>120,444,892</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM200.0 million (2016: RM Nil).

**(a) By type of customer**

	The Group	
	As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
Domestic financial institutions	-	47
Domestic non-bank financial institutions	542,583	600,249
Domestic business enterprises		
- small and medium enterprises	20,170,248	19,246,622
- others	16,048,426	17,099,287
Government and statutory bodies	28,323	24,804
Individuals	80,068,140	77,670,558
Other domestic entities	60,757	75,714
Foreign entities	7,323,157	6,875,210
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>

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

	The Group	
	As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
Fixed rate		
- Housing and shop loans/financing	3,033,239	2,604,404
- Hire purchase receivables	18,010,923	18,200,640
- Other fixed rate loan/financing	7,898,256	8,083,838
Variable rate		
- Base lending rate plus	78,154,115	75,993,221
- Cost plus	16,732,486	16,322,812
- Other variables rates	412,615	387,576
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>

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

**(c) By economic purpose**

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Purchase of securities	694,878	856,080
Purchase of transport vehicles	18,123,869	18,445,657
Purchase of landed properties		
- residential	54,218,093	51,510,277
- non-residential	15,591,817	14,986,782
Purchase of fixed assets (excluding landed properties)	462,208	434,041
Personal use	3,761,922	3,766,429
Credit card	3,992,897	3,755,348
Purchase of consumer durables	364	387
Construction	1,368,562	1,386,003
Mergers and acquisition	217,461	233,364
Working capital	23,248,996	23,529,783
Other purpose	2,560,567	2,688,340
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>

**(d) By geographical distribution**

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Malaysia	117,966,964	115,965,819
Singapore	5,124,542	4,678,961
Hong Kong	20,547	34,168
Vietnam	412,617	387,576
Cambodia	716,964	525,967
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>

**(e) By residual contractual maturity**

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Within one year	27,923,118	27,848,217
One year to less than three years	5,102,382	5,434,573
Three years to less than five years	10,790,321	10,710,736
Five years and more	80,425,813	77,598,965
Gross loans, advances and financing	<u>124,241,634</u>	<u>121,592,491</u>



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

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

	The Group	
	As at	As at
	31/12/2016	30/06/2016
	RM '000	RM '000
Purchase of securities	2,771	225
Purchase of transport vehicles	147,304	145,528
Purchase of landed properties		
- residential	252,163	233,566
- non-residential	118,465	99,145
Purchase of fixed assets (excluding landed properties)	15,201	22,872
Personal use	42,585	36,909
Credit card	47,622	44,308
Construction	9,230	9,138
Working capital	400,132	346,555
Other purpose	25,590	18,907
Gross impaired loans, advances and financing	1,061,063	957,153

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

	The Group	
	As at	As at
	31/12/2016	30/06/2016
	RM '000	RM '000
Malaysia	1,045,670	943,207
Singapore	6,231	5,601
Vietnam	9,162	8,345
Gross impaired loans, advances and financing	1,061,063	957,153

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

	The Group	
	As at	As at
	31/12/2016	30/06/2016
	RM '000	RM '000
As at beginning of the financial period/year	957,153	948,583
Impaired during the financial period/year	848,419	1,572,187
Performing during the financial period/year	(392,859)	(798,443)
Amount written back in respect of recoveries	(167,726)	(338,880)
Amount written off	(185,311)	(426,490)
Exchange differences	1,387	196
As at end of the financial period/year	1,061,063	957,153
Gross impaired loan as a % of gross loans, advances and financing	0.9%	0.8%

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

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

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	856,971	969,925
Net allowance made during the period/year	140,127	263,678
Amount transferred to individual assessment allowance	(744)	(109)
Amount written off	(153,435)	(365,615)
Unwinding income	(4,521)	(11,465)
Exchange differences	739	557
As at end of the financial period/year	<u>839,137</u>	<u>856,971</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period/year	289,844	323,071
Net allowance made during the period/year	38,810	57,180
Amount transferred from collective assessment allowance	744	109
Amount transfer to allowance for impairment losses on securities	-	(2,566)
Amount written back in respect of recoveries	(20,783)	(61,626)
Amount written off	(11,496)	(22,014)
Unwinding income	(4,090)	(4,404)
Exchange differences	798	94
As at end of the financial period/year	<u>293,827</u>	<u>289,844</u>

**13. Other receivables**

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Investment properties	1,940	1,940
Foreclosed properties	46	46
Sundry debtors and other prepayments	168,763	337,397
Treasury related receivable	6,229	629,659
Fee income receivable	10,744	7,743
Collateral pledged for derivative transactions	798,181	684,890
Other receivables	216,686	157,093
	<u>1,202,589</u>	<u>1,818,768</u>
	<b>The Company</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Amount due from subsidiary companies	133	48
Sundry debtors and other prepayments	416	410
Other receivables	229	229
	<u>778</u>	<u>687</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
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14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/12/2016	As at 30/06/2016
	RM '000	RM '000
Fixed deposits	88,593,213	85,737,639
Short-term placement	14,767,128	16,429,616
Negotiable instruments of deposits	6,888,182	7,816,740
	<u>110,248,523</u>	<u>109,983,995</u>
Demand deposits	20,847,044	20,559,745
Savings deposits	16,894,798	16,581,413
Others	965,887	943,461
Gross deposits from customers	<u>148,956,252</u>	<u>148,068,614</u>
<b>At fair value through profit and loss</b>		
Collable range accrual notes	2,240,474	1,442,912
Fair value changes arising from designation at fair value through profit or loss*	(152,540)	(20,993)
Total net deposits from customers	<u>151,044,186</u>	<u>149,490,533</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 31/12/2016	As at 30/06/2016
	RM '000	RM '000
Government and statutory bodies	4,577,901	2,891,538
Business enterprises	60,677,194	62,776,728
Individuals	83,215,014	81,366,305
Others	2,574,077	2,455,962
Gross deposits from customers	<u>151,044,186</u>	<u>149,490,533</u>

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

	The Group	
	As at 31/12/2016	As at 30/06/2016
	RM '000	RM '000
Due within six months	84,682,056	90,130,671
More than six months to one year	21,557,104	16,791,342
More than one year to five years	4,009,363	3,044,069
More than five years	-	17,913
	<u>110,248,523</u>	<u>109,983,995</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**15. Deposits and placements of banks and other financial institutions**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Licensed banks and investment banks	6,238,739	6,842,865
Licensed Islamic banks	115,019	-
Other financial institutions	1,509,991	1,263,135
	<u>7,863,749</u>	<u>8,106,000</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>7,863,749</u>	<u>8,106,000</u>

**16. Payables and other liabilities**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade payables	2,157,941	1,964,896
Loan advance payment	2,811,498	2,641,139
Post employment benefits obligations - defined contribution plan	1,806	1,774
Treasury and cheque clearing	362,833	163,202
Treasury related payables	365,725	189,958
Sundry creditors and accruals	396,740	560,146
Provision for bonus and staff related expenses	206,842	151,062
Others	388,592	565,645
	<u>6,691,977</u>	<u>6,237,822</u>

	<b>The Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM '000</b>	<b>RM '000</b>
Sundry creditors and accruals	840	1,462
Provision for bonus and staff related expenses	11,651	7,846
Post employment benefits obligations - defined contribution plan	44	43
	<u>12,535</u>	<u>9,351</u>

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**17. Interest income**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
Loans, advances and financing	1,168,629	1,163,776	2,334,303	2,319,113
Money at call and deposit placements with financial institutions	23,893	55,525	53,508	91,718
Securities purchased under resale agreements	10,908	33,040	35,279	87,095
Financial assets held-for-trading	109,264	146,384	218,047	270,265
Financial investments available-for-sale	174,154	135,854	331,360	270,548
Financial investments held-to-maturity	90,888	79,781	184,971	157,096
Others	3,697	4,457	7,792	8,267
	<u>1,581,433</u>	<u>1,618,817</u>	<u>3,165,260</u>	<u>3,204,102</u>
Of which:				
Interest income earned on impaired loans, advances and financing	5,930	11,725	12,467	25,050

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
Money at call and deposit placements with financial institutions	562	4,233	710	4,424

**18. Interest expense**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
Deposits and placements of banks and other financial institutions	26,440	29,521	51,083	44,973
Deposits from customers	711,751	734,380	1,434,375	1,462,100
Short term placements	67,811	64,297	150,817	136,008
Borrowings	25,656	36,346	52,109	69,377
Subordinated obligations	29,616	46,847	59,258	97,509
Recourse obligation on loans sold to Cagamas	1,916	-	2,957	-
Non-innovative Tier 1 stapled securities	-	17,877	-	35,781
Innovative Tier 1 capital securities	8,773	8,073	17,512	16,092
Others	6,050	3,976	11,457	8,106
	<u>878,013</u>	<u>941,317</u>	<u>1,779,568</u>	<u>1,869,946</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
Borrowings	15,282	13,933	32,151	23,469
Others	153	84	162	385
	<u>15,435</u>	<u>14,017</u>	<u>32,313</u>	<u>23,854</u>

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**19. Non-Interest Income**

	The Group		The Group	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Net income from insurance business	122,020	44,348	165,496	134,388
Net brokerage and commissions from stockbroking business	13,717	8,472	28,790	29,672
Net unit trust and asset management income	6,394	5,426	12,722	9,942
Fee income:				
Commissions	37,238	37,474	75,298	72,430
Service charges and fees	13,873	13,595	23,520	23,583
Guarantee fees	4,209	4,247	7,099	7,813
Credit card related fees	64,781	65,804	123,478	124,579
Corporate advisory fees	4,049	2,197	5,034	3,420
Commitment fees	8,976	8,981	17,846	17,754
Fee on loans, advances and financing	12,328	15,943	24,794	28,962
Placement fees	3,542	6,796	3,542	6,829
Arranger fees	4,296	5,879	4,896	9,153
Other fee income	26,389	25,706	40,463	34,959
	<u>179,681</u>	<u>186,622</u>	<u>325,970</u>	<u>329,482</u>
Gain/(loss) arising from sale of financial assets:				
Net (loss)/gain from sale of financial assets held-for-trading	(5,088)	12,496	20,996	6,536
Net (loss)/gain from sale of financial investments available-for-sale	(6,514)	5,555	22,341	12,198
Net gain from redemption of financial investments held-to-maturity	30	12	34	29
Net gain/(loss) from sale of derivatives financial instruments	22,890	(25,793)	6,705	(65,337)
	<u>11,318</u>	<u>(7,730)</u>	<u>50,076</u>	<u>(46,574)</u>
Gross dividend income from:				
Financial assets held-for-trading	108	3,194	630	4,733
Financial investments available-for-sale	75,155	51,346	147,463	89,380
	<u>75,263</u>	<u>54,540</u>	<u>148,093</u>	<u>94,113</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets held-for-trading	(41,055)	4,165	(32,340)	(7,583)
Derivatives financial instruments	147,567	22,021	149,786	49,599
	<u>106,512</u>	<u>26,186</u>	<u>117,446</u>	<u>42,016</u>
Amortisation of fair value changes arising from terminated fair value hedges	(5)	(153)	(26)	(404)
Other income:				
Foreign exchange (loss)/gain	(16,700)	49,032	13,674	146,930
Rental income	1,401	2,939	2,542	4,659
Gain on disposal of property and equipment (net)	26	8	1,114	20
Others	12,997	200	16,316	1,080
	<u>(2,276)</u>	<u>52,179</u>	<u>33,646</u>	<u>152,689</u>
Total non-interest income	<u>512,624</u>	<u>369,890</u>	<u>882,213</u>	<u>745,324</u>

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

	The Company		The Company	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Fee income:				
Management fees	(1,022)	2,617	1,610	5,544
Net loss from sale of financial assets held-for-trading	-	18	-	16
Net loss from sale of derivatives financial instruments	-	(1,910)	(80)	(1,910)
Gross dividend income from:				
Financial assets held-for-trading	-	2,392	-	3,031
Subsidiary companies	456,106	314,490	456,106	314,490
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	-	78	-	-
Derivatives financial instruments	1,024	(985)	631	961
Other income	15	176	15	182
Total non-interest income	456,123	316,876	458,282	322,314

**20. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	289,877	260,950	565,927	521,981
- Mutual separation scheme (MSS) *	-	171,658	-	171,658
- Medical expenses	6,637	7,703	12,335	15,000
- Training and convention expenses	8,698	12,598	17,502	20,143
- Staff welfare	2,755	1,753	6,469	3,792
- Others	11,408	12,634	22,760	23,096
	319,375	467,296	624,993	755,670
<u>Establishment costs</u>				
- Depreciation of property and equipments	23,384	20,652	47,642	42,861
- Amortisation of intangible assets	20,222	20,441	40,393	38,672
- Rental of premises	23,073	22,923	45,738	46,975
- Information technology expenses	34,372	35,563	73,756	66,002
- Security services	7,653	7,656	14,196	14,465
- Electricity, water and sewerage	6,055	6,228	12,392	12,375
- Hire of plant and machinery	3,757	4,119	7,162	7,818
- Others	7,563	5,406	14,214	10,706
	126,079	122,988	255,493	239,874
<u>Marketing expenses</u>				
- Advertisement and publicity	9,342	10,921	15,067	16,895
- Credit card related fees	28,752	32,795	57,045	61,791
- Others	5,228	6,040	10,106	11,251
	43,322	49,756	82,218	89,937
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,180	4,923	8,759	8,278
- Stationery and printing expenses	5,020	4,441	8,516	8,440
- Professional fees	18,681	17,750	33,620	32,625
- Insurance fees	10,156	9,812	19,674	18,711
- Credit card fees	8,994	8,999	18,127	18,146
- Travelling and transport expenses	996	1,162	2,132	2,198
- Registration and license fees	2,438	2,318	4,967	4,822
- Brokerage and commission	1,443	2,000	3,058	3,486
- Stamp, postage and courier	5,105	5,385	9,809	11,506
- Others	14,773	14,640	27,216	23,379
	71,786	71,430	135,878	131,591
	560,562	711,470	1,098,582	1,217,072

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**20. Overhead expenses (continued)**

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,999	3,373	7,885	6,865
- Medical expenses	7	20	24	44
- Training and convention expenses	3	7	5	8
- Staff welfare	129	70	254	149
- Others	160	108	319	263
	<u>4,298</u>	<u>3,578</u>	<u>8,487</u>	<u>7,329</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	159	164	319	327
- Amortisation of intangible assets	27	27	54	55
- Rental of premises	190	184	380	349
- Electricity, water and sewerage	12	12	22	21
- Hire of machinery	9	11	14	19
- Others	57	48	97	126
	<u>454</u>	<u>446</u>	<u>886</u>	<u>897</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	9	16	16
- Stationery and printing expenses	5	18	10	24
- Professional fees	274	332	444	748
- Management fees	563	563	1,126	1,126
- Travelling and transport expenses	13	4	61	17
- Others	33	60	200	114
	<u>895</u>	<u>986</u>	<u>1,857</u>	<u>2,045</u>
	<u>5,647</u>	<u>5,010</u>	<u>11,230</u>	<u>10,271</u>

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

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2016 RM '000	quarter ended 31/12/2015 RM '000	to date 31/12/2016 RM '000	to date 31/12/2015 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance/(writeback)	10,635	3,975	18,027	(1,444)
- Collective assessment allowance	69,905	103,438	140,127	178,655
Allowance for/(Writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	174	34	211	33
- Collective assessment allowance	5	(4)	3	-
Allowance for impairment losses on other assets				
- Individual assessment allowance	174	-	174	-
Impaired loans and financing:				
- written off	5,432	7,840	10,683	11,109
- recovered	(57,778)	(55,001)	(117,637)	(104,098)
	<u>28,547</u>	<u>60,282</u>	<u>51,588</u>	<u>84,255</u>



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**22. Capital adequacy**

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

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

**Basel III**

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016	31/12/2016	30/06/2016
<b>Before deducting proposed dividends</b>						
CET I capital ratio	13.693%	13.176%	12.882%	12.493%	20.819%	29.202%
Tier I capital ratio	14.097%	13.577%	13.353%	12.961%	20.819%	29.202%
Total capital ratio	15.590%	15.104%	15.249%	14.858%	24.429%	33.576%
<b>After deducting proposed dividends</b>						
CET I capital ratio	13.442%	12.745%	12.590%	11.991%	20.819%	24.986%
Tier I capital ratio	13.847%	13.146%	13.061%	12.458%	20.819%	24.986%
Total capital ratio	15.339%	14.673%	14.956%	14.355%	24.429%	29.360%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	2,167,718	2,167,718	2,167,718	2,167,718	165,000	165,000
Share premium	5,571,345	5,571,345	5,571,345	5,571,345	87,950	87,950
Retained profit	8,749,279	8,412,365	6,393,678	6,035,024	(15,943)	36,357
Other reserves	5,220,791	4,939,875	3,708,202	3,727,869	197,065	199,404
Less: Treasury shares	(735,040)	(735,040)	(735,040)	(735,040)	-	-
Less: Other intangible assets	(236,019)	(264,766)	(218,017)	(246,784)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(34,820)	(34,379)
Less: Deferred tax assets	(5,012)	(3,957)	-	-	(91,882)	(91,882)
Less: Investment in subsidiary companies/ associated company/joint venture	(2,146,733)	(1,993,586)	(1,587,973)	(1,531,798)	(120)	(217)
Total CET I capital	16,755,017	16,262,642	13,528,366	13,216,787	307,250	362,233
<b>Additional Tier I capital</b>						
Innovative Tier I capital securities	494,958	494,142	494,958	494,142	-	-
Total additional Tier I capital	494,958	494,142	494,958	494,142	-	-
Total Tier I capital	17,249,975	16,756,784	14,023,324	13,710,929	307,250	362,233

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**22. Capital adequacy (continued)**

**Basel III**

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Collective assessment allowance ^ and regulatory reserves #	1,257,854	1,214,681	1,049,536	1,029,079	3,367	4,394
Subordinated obligations	1,999,584	1,999,411	1,999,584	1,999,411	50,000	50,000
Tier II capital before regulatory adjustments	3,257,438	3,214,092	3,049,120	3,028,490	53,367	54,394
Less: Investment in subsidiary companies/ associated company/joint venture	(1,431,156)	(1,329,057)	(1,058,648)	(1,021,198)	(80)	(144)
Total Tier II capital	1,826,282	1,885,035	1,990,472	2,007,292	53,287	54,250
<b>Total capital</b>	<b>19,076,257</b>	<b>18,641,819</b>	<b>16,013,796</b>	<b>15,718,221</b>	<b>360,537</b>	<b>416,483</b>

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

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM641,735,000 (2016:RM587,527,000), Hong Leong Bank Berhad of RM535,662,000 (2016: RM495,008,000) and Hong Leong Investment Bank Berhad of RM2,773,000 (2016: RM3,563,000) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	110,459,426	111,838,090	93,724,897	95,233,431	646,755	520,091
Market risk	4,140,330	3,951,986	4,495,992	3,857,577	532,951	416,042
Operational risk	7,763,971	7,633,295	6,797,705	6,698,869	296,134	304,287
Total RWA	122,363,727	123,423,371	105,018,594	105,789,877	1,475,840	1,240,420

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

	Hong Leong Islamic Bank	
	31/12/2016	30/06/2016
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.724%	10.383%
Tier I capital ratio	10.724%	10.383%
Total capital ratio	14.249%	13.855%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.724%	10.383%
Tier I capital ratio	10.724%	10.383%
Total capital ratio	14.249%	13.855%

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**23. Events after Balance Sheet date**

There are no materials events subsequent to the end of the financial period ended 31 December 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) Wah Tat Nominees (Tempatan) Sdn Bhd, 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 Hong Leong Bank Berhad ("HLB"), was dissolved on 15 October 2016.
- (b) HLG Nominee (Asing) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn is a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), was dissolved on 15 October 2016.
- (c) HLG Nominee (Tempatan) Sdn Bhd, a wholly-owned subsidiary of HLIB which in turn is a wholly-owned subsidiary of HLCB, was dissolved on 7 December 2016.
- (d) HLG Principal Investments (L) Limited, a wholly-owned subsidiary of HLG Capital Markets Sdn Bhd which in turn is a wholly-owned subsidiary of HLCB, was dissolved on 25 December 2016.
- (e) On 6 January 2017, HLB announced that the liquidator of Wah Tat Nominees (Asing) Sdn Bhd ("WTNA"), a wholly-owned subsidiary of WTB which in turn is a wholly-owned subsidiary of HLF Credit, a wholly-owned subsidiary of HLB, had convened the final meeting for WTNA to conclude the member's voluntary winding-up of WTNA. The Return by Liquidator Relating to Final Meeting of WTNA was lodged on 6 January 2017 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, WTNA will be dissolved.
- (f) On 17 February 2017, HLB announced that the liquidator of Prominic Berhad ("Prominic"), a wholly-owned subsidiary of HLB, had convened the final meeting for Prominic to conclude the member's voluntary winding-up of Prominic. The Return by Liquidator Relating to Final Meeting of Prominic was lodged on 17 February 2017 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, Prominic 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:

	<b>The Group</b>	
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	36,381	121,679
Certain transaction related contingent items	1,438,259	1,621,014
Short-term self liquidating trade related contingencies	971,727	766,350
Irrevocable commitments to extend credit:		
- less than one year	17,703,359	17,515,111
- more than one year	13,759,192	16,125,773
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	684,585	686,780
Foreign exchange related contracts		
- less than one year	30,650,243	30,866,808
- one year to less than five years	5,037,141	4,950,940
- five years and above	1,192,920	895,329
Interest rate related contracts		
- less than one year	45,166,073	35,439,838
- one year to less than five years	40,243,153	39,926,819
- five years and above	4,165,779	2,532,411
Equity related contracts		
- less than one year	155,114	296,489
- one year to less than five years	316,567	219,299
Commodity related contracts		
- less than one year	7,991	4,949
Unutilised credit card lines	7,096,682	7,503,020
<b>Total</b>	<b>168,625,166</b>	<b>159,472,609</b>

	<b>The Company</b>	
	<b>31/12/2016</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest rate swaps		
- less than one year	-	100,000
- one year to less than five years	100,000	100,000
	<u>100,000</u>	<u>200,000</u>

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

The size of the fund was above the minimum of RM1 million as at 31 December 2016 (30 June 2016: RM1 million).

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**27. Fair value of financial instruments**

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

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

**The Group**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2016</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	9,346,441	-	9,346,441
- Quoted securities	1,048,367	-	-	1,048,367
- Unquoted securities	-	996,219	-	996,219
Financial investments available-for-sale				
- Money market instruments	-	9,289,080	-	9,289,080
- Quoted securities	13,754,621	-	-	13,754,621
- Unquoted securities	-	14,504,713	430,214	14,934,927
Derivative financial instruments	57	1,576,929	5,417	1,582,403
	<u>14,803,045</u>	<u>35,713,382</u>	<u>435,631</u>	<u>50,952,058</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	810	1,710,915	5,417	1,717,142
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,087,934	-	2,087,934
	<u>810</u>	<u>3,798,849</u>	<u>5,417</u>	<u>3,805,076</u>
<b>30 June 2016</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	5,741,903	-	5,741,903
- Quoted securities	1,275,928	-	-	1,275,928
- Unquoted securities	-	1,506,842	-	1,506,842
Financial investments available-for-sale				
- Money market instruments	-	7,801,574	-	7,801,574
- Quoted securities	14,121,041	-	-	14,121,041
- Unquoted securities	-	13,414,757	429,720	13,844,477
Derivative financial instruments	11	1,054,352	7,995	1,062,358
	<u>15,396,980</u>	<u>29,519,428</u>	<u>437,715</u>	<u>45,354,123</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	1,564	1,644,666	7,995	1,654,225
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,421,919	-	1,421,919
	<u>1,564</u>	<u>3,066,585</u>	<u>7,995</u>	<u>3,076,144</u>

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2016 - RM Nil).

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**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

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

**The Company**

<b>31 December 2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Recurring fair value measurements</b>				
<b>Financial liabilities</b>				
Derivative financial instruments	-	824	-	824

<b>30 June 2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	80	-	80
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,455	-	1,455

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

	<b>Financial Assets</b>		<b>Financial Liability</b>
	<b>Financial investments available-for-sale RM'000</b>	<b>Derivative financial instruments RM'000</b>	<b>Derivative financial instruments RM'000</b>
<b>The Group</b>			
<b>31 December 2016</b>			
As at beginning of the financial year	429,720	7,995	7,995
Fair value changes recognised in statements of income	-	2,662	2,662
Net fair value changes recognised in other comprehensive income	494	-	-
Purchase	-	2,425	2,425
Settlements	-	(7,665)	(7,665)
As at end of the financial period	430,214	5,417	5,417
Fair value changes recognised in statement of income relating to assets/liability held on 31 December 2016	-	2,662	2,662
Total gain recognised in other comprehensive income relating to assets held on 31 December 2016	494	-	-

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

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

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM832.5 million for the current quarter ended 31 December 2016 compared to RM487.4 million in the previous corresponding quarter, an increase of RM345.1 million or 70.8%. Excluding the one-off MSS expense in the previous corresponding quarter, the Group PBT increased by RM173.4 mil or 26.3%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM696.6 million for the current quarter ended 31 December 2016 compared to RM425.8 million in the previous corresponding quarter, an increase of RM270.8 million or 63.6%. Excluding the one-off MSS expense in the previous corresponding quarter, HLB Group PBT increased by RM99.1 mil or 16.6%. The increase was mainly due to higher revenue of RM105.3 million and lower operating expenses of RM157.4 million (inclusive of MSS expense in the previous corresponding quarter) and lower allowance for impairment losses on loans, advances and financing of RM31.7 million. This was however offset by lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM23.1 million and higher allowance for impairment losses from securities of RM0.5 million.

HLA Holdings Group recorded a profit before tax of RM135.6 million for the current quarter ended 31 December 2016 compared to RM57.3 million in the previous corresponding quarter, an increase of RM78.3 million or 136.6%. The increase was mainly due to lower actuarial reserve provisioning of RM72.7 million, higher share of profit from associated company of RM4.2 million and higher revenue of RM13.2 million. This was however offset by a higher operating expenses of RM4.3 million and higher allowance for impairment losses on securities of RM7.6 million.

Hong Leong Capital Group recorded a profit before tax of RM21.5 million for the current quarter ended 31 December 2016, flat against the previous corresponding quarter.

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

HLFG Group recorded a profit before tax of RM1,558.0 million for the period ended 31 December 2016 as compared to RM1,184.3 million in the previous corresponding period, an increase of RM373.7 million or 31.6%. Excluding the one-off MSS expense in the previous corresponding period, the Group PBT increased by RM202.0 mil or 15.0%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,371.2 million for the period ended 31 December 2016 as compared to RM1,050.6 million in the previous corresponding period, an increase of RM320.6 million or 30.5%. Excluding the one-off MSS expense in the previous corresponding period, HLB Group PBT increased by RM148.9 mil or 12.2%. The increase was due to higher revenue of RM178.2 million, lower operating expenses of RM129.5 million (inclusive of MSS expense in the previous corresponding period) and lower allowance for impairment losses on loans, advances and financing of RM32.7 million. This was however offset by lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM13.1 million and higher allowance for impairment losses from securities of RM6.7 million.

HLA Holdings Group recorded a profit before tax of RM189.2 million for the period ended 31 December 2016 as compared to RM131.1 million in the previous corresponding period, an increase of RM58.1 million or 44.3%. The increase was mainly due to lower actuarial reserve provisioning of RM24.3 million, higher revenue of RM26.1 million, lower allowance for impairment losses on securities of RM16.7 million and higher share of profit from associated company of RM1.1 million. This was however offset by higher operating expenses of RM10.1 mil.

Hong Leong Capital Group recorded a profit before tax of RM39.9 million for the period ended 31 December 2016 as compared to RM34.3 million in the previous corresponding period, an increase of RM5.6 million or 16.3%. This was mainly due to higher contribution from the investment banking and stockbroking divisions.

**3 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM832.5 million for the current quarter ended 31 December 2016 compared to RM725.5 million in the preceding quarter, an increase of RM107.0 million or 14.7%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM696.6 million for the current quarter ended 31 December 2016 as compared to RM674.6 million in the preceding quarter, an increase of RM22.0 million or 3.3%. The increase was mainly due to higher revenue of RM82.5 million and higher writeback of allowance for impairment losses on securities of RM5.0 million. This was however offset by higher operating expenses of RM10.0 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM50.1 million and higher allowance for impairment losses on securities of RM5.2 million.

HLA Holdings Group recorded a profit before tax of RM135.6 million for the current quarter ended 31 December 2016 as compared to RM53.6 million in the preceding quarter, an increase of RM82.0 million or 153.0%. The increase was mainly due to lower actuarial reserve provisioning of RM76.2 mil, lower allowance for impairment losses on securities of RM0.5 million and higher share of profit from associated company of RM6.6 million. This was however offset by higher operating expenses of RM1.0 million.

Hong Leong Capital Group recorded a profit before tax of RM21.5 million for the current quarter ended 31 December 2016 compared to RM18.4 million in the preceding quarter, an increase of RM3.1 million or 16.8%. This was mainly due to higher contribution from its investment banking and stockbroking divisions.



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**4 Prospects for the current year**

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

**5 Variance of actual profit from forecasted profit**

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

**6 Taxation**

	The Group		The Group	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Malaysian income tax	195,510	126,079	335,821	306,808
Transfer from deferred tax	(26,759)	(35,224)	(24,940)	(100,495)
	<u>168,751</u>	<u>90,855</u>	<u>310,881</u>	<u>206,313</u>
Prior year over provision				
- Malaysia	-	96	24	(62)
	<u>168,751</u>	<u>90,951</u>	<u>310,905</u>	<u>206,251</u>

	The Company		The Company	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Malaysian income tax	550	2,030	550	2,194
Transfer from deferred tax	(1)	(678)	257	(1,038)
	<u>549</u>	<u>1,352</u>	<u>807</u>	<u>1,156</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 period 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.

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**10 Borrowings**

		<b>The Group</b>	
		<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
	Note		
Revolving credit	(i)	365,211	305,450
Commercial papers	(ii)	-	349,347
Medium term notes	(ii)	655,958	756,286
Term loans/bridging loan	(iii)	350,274	565,193
Senior bonds	(iv)	1,353,688	1,215,643
		<u>2,725,131</u>	<u>3,191,919</u>
Repayment of revolving credit			
- less than one year		365,211	305,450
Repayment of commercial papers			
- less than one year		-	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		402,733	352,528
- three years and above		253,225	253,274
Repayment of term loans/bridging loan			
- less than one year		350,274	10,463
- one to five years		-	554,730
Repayment of senior bonds			
- less than one year		1,353,688	1,215,643
		<u>2,725,131</u>	<u>3,191,919</u>
		<b>The Company</b>	
		<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
	Note		
Revolving credit	(i)	365,211	305,450
Commercial papers	(ii)	-	349,347
Medium term notes	(ii)	655,958	806,457
Term loans	(iii)	350,275	180,463
		<u>1,371,444</u>	<u>1,641,717</u>
Repayment of revolving credit			
- less than one year		365,211	305,450
Repayment of commercial papers			
- less than one year		-	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		402,733	402,705
- three years and above		253,225	253,268
Repayment of term loans			
- less than one year		350,275	10,463
- one to three years		-	170,000
		<u>1,371,444</u>	<u>1,641,717</u>

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**10 Borrowings (continued)**

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.43% to 3.69% (30 June 2016: ranging from 3.64% to 3.92%) per annum and repayable within 12 months.
- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.38% to 3.67% (30 June 2016: 3.58% to 3.86%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.30% to 4.80% (30 June 2016: 4.30% to 4.80%) per annum.

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

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

- (a) an unsecured short-term loan facility of RM150 million maturing on 11 January 2018. The term loan with one month interest period bears an interest rate ranging from 3.53% to 3.69% (30 June 2016: 3.70% to 3.92%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2017. The term loan with one month interest period bears an interest rate ranging from 3.53% to 3.69% (30 June 2016: 3.70% to 3.92%) per annum.

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

	Note	The Group	
		As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
USD 300 million senior bonds, at par	(a)	919,200	919,200
Foreign exchange translations		426,600	290,550
		<u>1,345,800</u>	<u>1,209,750</u>
Add: Interest payable		8,411	7,561
		<u>1,354,211</u>	<u>1,217,311</u>
Less: Unamortised discounts		(523)	(1,668)
		<u><u>1,353,688</u></u>	<u><u>1,215,643</u></u>

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

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

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**11 Subordinated obligations**

	Note	The Group	
		As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000
Add: Interest payable		1,850	1,480
		<u>1,501,850</u>	<u>1,501,480</u>
Less: Unamortised discounts		(416)	(589)
		<u>1,501,434</u>	<u>1,500,891</u>
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000
Add: Interest payable		8,938	8,692
		<u>508,938</u>	<u>508,692</u>
Less: Unamortised discounts		(1,530)	(1,620)
		<u>507,408</u>	<u>507,072</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000
Add: Interest payable		684	736
		<u>400,684</u>	<u>400,736</u>
Less: Unamortised discounts		(185)	(254)
		<u>400,499</u>	<u>400,482</u>
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000
Add: Interest payable		592	526
		<u>500,592</u>	<u>500,526</u>
Less: Unamortised discounts		(408)	(577)
		<u>500,184</u>	<u>499,949</u>
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000
Add: Interest payable		399	407
		<u>50,399</u>	<u>50,407</u>
Less: Unamortised discounts		(141)	(160)
		<u>50,258</u>	<u>50,247</u>
		<u>2,959,783</u>	<u>2,958,641</u>

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

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

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

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

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

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

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

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

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**11 Subordinated obligations (continued)**

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

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

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

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

**12 Innovative Tier 1 capital securities**

	The Group	
	As at 31/12/2016 RM '000	As at 30/06/2016 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,432	12,771
	512,432	512,771
Less: Unamortised discounts	(5,042)	(5,858)
Add: Fair value adjustments on completion of business combination accounting	10,500	14,599
	517,890	521,512

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

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

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

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**13 Off-Balance Sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 31 December 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	19,928,460	694,177	(217,750)
(ii) More than 3 years	48,503	-	(28,756)
- Swaps			
(i) Less than 1 year	8,172,016	152,418	(280,633)
(ii) 1 year to 3 years	4,500,833	283,611	(620,516)
(iii) More than 3 years	1,644,075	143,074	(72,175)
- Options			
(i) Less than 1 year	2,549,767	36,920	(20,744)
(ii) 1 year to 3 years	36,650	422	(422)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	24,906,992	466	(20,752)
- Swaps			
(i) Less than 1 year	20,259,081	14,721	(12,766)
(ii) 1 year to 3 years	24,287,833	83,039	(108,350)
(iii) More than 3 years	20,121,099	167,245	(328,437)
Equity related contracts			
(i) Less than 1 year	155,114	1,771	(1,779)
(ii) 1 year to 3 years	309,567	3,646	(3,646)
(iii) More than 3 years	7,000	445	-
Commodity related contracts			
(i) Less than 1 year	7,991	448	(416)
<b>Total</b>	<b>126,934,981</b>	<b>1,582,403</b>	<b>(1,717,142)</b>

**The Company**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	100,000	-	(824)
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>(824)</b>

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

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

**The Group**

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

**The Company**

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

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

#### Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM35,119,290 (FYE June 2016: RM20,017,001) and RM87,179,296,179 (FYE June 2016: RM76,308,873,177) 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 RM1,657,113,164 (FYE June 2016: RM1,031,399,571). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

#### Derivatives

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

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

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

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

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

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



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

#### Liquidity risk

##### Derivatives

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

#### Related accounting policies

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

##### *Fair value hedge*

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

##### *Cash flow hedge*

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

### 14 Material litigation

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

### 15 HLFM Dividends

For the financial year ended 31 December 2016, a single-tier dividend of 13 sen per share was declared (31 December 2015: 13 sen per share) and paid on 23 December 2016.

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**16 Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Net profit attributable to equity holders	443,033	263,449	829,225	650,331
Weighted average number of ordinary shares ('000)	1,143,552	1,075,325	1,143,552	1,062,727
<b>Basic earnings per share (Sen)</b>	<b>38.7</b>	<b>24.5</b>	<b>72.5</b>	<b>61.2</b>

	The Company		The Company	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Net profit attributable to equity holders	435,054	300,730	414,642	291,457
Weighted average number of ordinary shares ('000)	1,147,516	1,078,514	1,147,516	1,065,641
<b>Basic earnings per share (Sen)</b>	<b>37.9</b>	<b>27.9</b>	<b>36.1</b>	<b>27.4</b>

(b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Net profit attributable to equity holders	443,033	263,449	829,225	650,331
Weighted average number of ordinary shares ('000)	1,143,552	1,075,325	1,143,552	1,062,727
- during the year	1,143,552	1,075,325	1,143,552	1,062,727
<b>Fully diluted earnings per share (Sen)</b>	<b>38.7</b>	<b>24.5</b>	<b>72.5</b>	<b>61.2</b>

	The Company		The Company	
	Current quarter ended 31/12/2016 RM '000	Last year quarter ended 31/12/2015 RM '000	Current year to date 31/12/2016 RM '000	Last year to date 31/12/2015 RM '000
Net profit attributable to equity holders	435,054	300,730	414,642	291,457
Weighted average number of ordinary shares ('000)	1,147,516	1,078,514	1,147,516	1,065,641
- during the year	1,147,516	1,078,514	1,147,516	1,065,641
<b>Fully diluted earnings per share (Sen)</b>	<b>37.9</b>	<b>27.9</b>	<b>36.1</b>	<b>27.4</b>

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**17 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 31/12/2016 RM '000</b>	<b>As at 30/06/2016 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	20,601,782	20,418,733
- Unrealised	1,208,082	908,372
Total share of retained profits from associated companies		
- Realised	2,363,592	2,201,404
- Unrealised	3,416	2,574
Total share of retained profits from joint ventures		
- Realised	59,504	47,698
	<u>24,236,376</u>	<u>23,578,781</u>
Less: Consolidation adjustments	(15,410,108)	(15,350,344)
Total Group's retained profits as per consolidated accounts	<u><u>8,826,268</u></u>	<u><u>8,228,437</u></u>

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

Dated this 21st February 2017