

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	9,067,090	9,429,592
Deposits and placements with banks and other financial institutions	2,902,928	3,033,666
Securities purchased under resale agreements	35,548	4,056,670
Financial assets held-for-trading	9,702,052	8,524,673
Financial investments available-for-sale	41,226,055	35,767,092
Financial investments held-to-maturity	14,389,371	12,911,318
Derivative financial instruments	1,865,197	1,062,358
Loans, advances and financing	123,187,191	120,444,892
Clients' and brokers' balances	602,706	395,884
Other receivables	1,916,107	1,818,768
Statutory deposits with Central Banks	3,455,189	4,328,519
Tax recoverable	36,653	29,011
Investment in associates	4,362,719	3,982,091
Investment in joint ventures	166,614	145,183
Property and equipment	1,899,598	1,849,202
Goodwill	2,410,644	2,410,644
Intangible assets	238,040	284,971
Total Assets	217,463,702	210,474,534
<u>Liabilities</u>		
Deposits from customers	152,796,176	149,490,533
Deposits and placements of banks and other financial institutions	8,112,320	8,106,000
Obligations on securities sold under repurchase agreements	3,361,632	3,494,903
Bills and acceptances payable	328,166	350,455
Derivatives financial instruments	2,112,612	1,654,225
Clients' and brokers' balances	467,695	279,919
Payables and other liabilities	7,122,767	6,237,822
Provision for claims	145,784	141,175
Provision for taxation	165,592	39,357
Deferred tax liabilities	155,248	202,237
Borrowings	2,535,228	3,191,919
Subordinated obligations	2,982,222	2,958,641
Recourse obligations on loans sold to Cagamas Berhad	201,031	-
Innovative Tier 1 capital securities	506,604	521,512
Insurance funds	11,708,825	10,628,680
Total Liabilities	192,701,902	187,297,378
<u>Equity</u>		
Share capital	1,147,517	1,147,517
Capital reserves	6,079,970	5,763,641
Retained profits	9,237,507	8,228,437
Fair value reserve	131,204	237,252
Treasury shares for ESOS	(35,712)	(35,712)
Total shareholders' equity	16,560,486	15,341,135
Non-controlling interests	8,201,314	7,836,021
Total Equity	24,761,800	23,177,156
Total Liabilities and Equity	217,463,702	210,474,534
Commitment and Contingencies		
	172,573,323	159,472,609
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	14.48	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 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017	quarter ended 31/03/2016	to date 31/03/2017	to date 31/03/2016
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,575,327	1,642,332	4,740,587	4,846,434
Interest expense	(856,111)	(994,527)	(2,635,679)	(2,864,473)
Net interest income	719,216	647,805	2,104,908	1,981,961
Net income from Islamic banking business	139,288	114,148	407,298	346,320
Non-interest income	367,079	263,226	1,249,292	1,008,550
Net income	1,225,583	1,025,179	3,761,498	3,336,831
Overhead expenses	(552,659)	(515,067)	(1,651,241)	(1,732,139)
Operating profit before allowances	672,924	510,112	2,110,257	1,604,692
Allowance for impairment losses on loans, advances and financing and other losses	(45,928)	(19,401)	(97,516)	(103,656)
Writeback of/(Allowance for) impairment losses	2,516	(7,742)	(57)	(20,365)
	629,512	482,969	2,012,684	1,480,671
Share of results of associated companies	129,448	104,326	292,478	280,745
Share of results of joint ventures	4,855	4,600	16,661	14,814
Profit before taxation	763,815	591,895	2,321,823	1,776,230
Taxation	(136,488)	(106,953)	(447,393)	(313,204)
Net profit for the financial period	627,327	484,942	1,874,430	1,463,026
Attributable to:				
Owners of the parent	418,746	315,067	1,247,971	965,398
Non-controlling interests	208,581	169,875	626,459	497,628
Net profit for the financial period	627,327	484,942	1,874,430	1,463,026
Earnings per share - basic (sen)	36.6	27.6	109.1	88.6
Earnings per share - fully diluted (sen)	36.6	27.6	109.1	88.6

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 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
THE GROUP				
Net profit for the financial period	627,327	484,942	1,874,430	1,463,026
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income/(loss) of associated companies	1,168	198	(5,648)	8,562
Net fair value changes in financial investments available-for-sale	71,776	148,488	(201,808)	68,474
Net fair value changes in cash flow hedge	149	(2,237)	1,291	(1,915)
Currency translation differences	(21,799)	(277,959)	330,802	85,078
Income tax relating to components of other comprehensive (income)/loss	(15,175)	(35,101)	47,253	(12,083)
Other comprehensive income/(loss) for the financial period, net of tax	36,119	(166,611)	171,890	148,116
Total comprehensive income for the financial period, net of tax	663,446	318,331	2,046,320	1,611,142
Attributable to:				
Owners of the parent	442,728	202,374	1,365,040	1,065,843
Non-controlling interests	220,718	115,957	681,280	545,299
	663,446	318,331	2,046,320	1,611,142

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 MARCH 2017**

	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	9,106	9,620
Deposits and placements with banks and other financial institutions	9,300	8,400
Derivative financial instruments	-	80
Other receivables	729	687
Tax recoverable	2,127	2,729
Deferred tax assets	54	330
Investment in subsidiary companies	16,909,723	16,915,160
Property and equipment	1,576	1,729
Intangible assets	27	106
Total Assets	16,932,642	16,938,841
<u>Liabilities</u>		
Derivative financial instruments	718	1,455
Payables and other liabilities	6,565	9,351
Borrowings	1,189,458	1,641,717
Total Liabilities	1,196,741	1,652,523
<u>Financed by:</u>		
Share capital	1,147,517	1,147,517
Capital reserves	1,374,482	1,374,482
Retained profits	13,213,905	12,764,322
Treasury shares for ESOS	(3)	(3)
Total Equity	15,735,901	15,286,318
Total Liabilities and Equity	16,932,642	16,938,841
Commitment and Contingencies	100,000	200,000

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 INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017	quarter ended 31/03/2016	to date 31/03/2017	to date 31/03/2016
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	235	212	945	4,636
Interest expense	(13,897)	(15,955)	(46,210)	(39,809)
Net interest expense	(13,662)	(15,743)	(45,265)	(35,173)
Non-interest income	201,782	200,438	660,064	522,752
Net income	188,120	184,695	614,799	487,579
Overhead expenses	(3,231)	(43)	(14,461)	(10,314)
Profit before taxation	184,889	184,652	600,338	477,265
Taxation	(771)	(2,193)	(1,578)	(3,349)
Net profit for the financial period	184,118	182,459	598,760	473,916
Earnings per share - basic (sen)	16.0	15.9	52.2	43.4
Earnings per share - fully diluted (sen)	16.0	15.9	52.2	43.4

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017	quarter ended 31/03/2016	to date 31/03/2017	to date 31/03/2016
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	184,118	182,459	598,760	473,916
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	184,118	182,459	598,760	473,916

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 MARCH 2017

	Share capital	Share premium	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP														
At 1 July 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
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	1,247,971	-	1,247,971	626,459	1,874,430
Currency translation differences	-	-	-	-	-	-	-	-	222,474	-	-	222,474	108,328	330,802
Share of other comprehensive loss of associates	-	-	-	-	-	(3,261)	-	-	-	-	-	(3,261)	(2,387)	(5,648)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(102,787)	-	-	-	-	-	(102,787)	(51,457)	(154,244)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	643	-	-	-	-	643	337	980
Total comprehensive (loss)/income	-	-	-	-	-	(106,048)	643	-	222,474	1,247,971	-	1,365,040	681,280	2,046,320
Transaction with owners														
Transfer to statutory reserve	-	-	43,668	-	-	-	-	-	-	(43,668)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	43,731	-	(43,731)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,094)	-	(3,094)	3,094	-
Dividends paid	-	-	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(320,160)	(320,160)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	1,079	1,079
Option charge arising from ESS granted	-	-	-	-	7,661	-	-	-	-	-	-	7,661	-	7,661
Exercise of ESS	-	-	-	-	(1,933)	-	-	-	-	854	-	(1,079)	-	(1,079)
Transfer to capital redemption reserve	-	-	-	85	-	-	-	-	-	(85)	-	-	-	-
At 31 March 2017	1,147,517	1,119,491	3,354,169	134,955	15,933	131,204	(486)	646,066	809,842	9,237,507	(35,712)	16,560,486	8,201,314	24,761,800

	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
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	965,398	-	965,398	497,628	1,463,026
Currency translation differences	-	-	-	-	-	-	-	-	58,097	-	-	58,097	26,981	85,078
Share of other comprehensive income of associates	-	-	-	-	-	5,990	-	-	-	-	-	5,990	2,572	8,562
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	37,312	-	-	-	-	-	37,312	18,617	55,929
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	(954)	-	-	-	-	(954)	(499)	(1,453)
Total comprehensive income/(loss)	-	-	-	-	-	43,302	(954)	-	58,097	965,398	-	1,065,843	545,299	1,611,142
Transaction with owners														
Transfer to statutory reserves	-	-	331,847	-	-	-	-	-	-	(331,847)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	86,659	-	(86,659)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,034)	-	(19,034)	19,034	-
Dividends paid	-	-	-	-	-	-	-	-	-	(136,860)	-	(136,860)	-	(136,860)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(267,593)	(267,593)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Option charge arising from ESOS	-	-	-	-	10,133	-	-	-	-	-	-	10,133	-	10,133
Issue of share pursuant to rights issue exercise	94,749	1,002,262	-	-	-	-	-	-	-	-	(3,402)	1,093,609	1,004,629	2,098,238
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(19,612)	-	(19,612)	-	(19,612)
Transfer to capital redemption reserve	-	-	-	2	-	-	-	-	-	(2)	-	-	-	-
At 31 March 2016	1,147,517	1,119,491	3,296,746	134,870	10,133	213,711	(848)	489,047	522,362	8,207,788	(35,712)	15,105,105	7,628,129	22,733,234

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM634,821,000 (31 March 2016:RM477,802,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2016: 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 MARCH 2017**

<u>THE COMPANY</u>	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2016	1,147,517	1,119,491	254,991	12,764,322	(3)	15,286,318
Net profit for the financial period	-	-	-	598,760	-	598,760
Dividend paid	-	-	-	(149,177)	-	(149,177)
At 31 March 2017	1,147,517	1,119,491	254,991	13,213,905	(3)	15,735,901

	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2015	1,052,768	117,229	254,991	12,742,372	(2)	14,167,358
Net profit for the financial period	-	-	-	473,916	-	473,916
Dividend paid	-	-	-	(136,860)	-	(136,860)
Issue of share pursuant of right issue exercise	94,749	1,002,262	-	-	(1)	1,097,010
At 31 March 2016	1,147,517	1,119,491	254,991	13,079,428	(3)	15,601,424

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 CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	The Group		The Company	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	2,321,823	1,776,230	600,338	477,265
Adjustment for non-cash items	(3,096)	(110,965)	(609,987)	(478,741)
Operating profit before working capital changes	2,318,727	1,665,265	(9,649)	(1,476)
Income tax (paid)/refunded	(234,616)	(368,112)	(700)	4,313
Interest received	945	4,636	945	4,636
Changes in working capital				
Net changes in operating assets	659,208	3,885,217	(943)	(2,806)
Net changes in operating liabilities	4,322,811	3,128,696	(2,786)	(3,212)
Net cash generated from/(used in) operating activities	7,067,076	8,315,702	(13,133)	1,455
Cash flow from investing activities				
Net purchases of financial investments available-for-sale	(5,807,062)	(4,533,351)	-	-
Net purchases of financial investments held-to-maturity	(1,477,903)	(1,741,173)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	786,258	642,878	-	-
Purchase of intangible assets	(14,145)	(21,590)	(1)	(2)
Net purchase of property and equipment	(124,486)	(135,488)	(337)	(2)
Proceeds from disposal of property and equipment	4,337	3,278	-	-
Dividends received from other investments	216,460	155,997	-	3,031
Dividends received from subsidiaries	-	-	655,150	513,534
Dividends received from associated companies	88,634	97,888	-	-
Dividends received from joint ventures companies	3,428	3,755	-	-
Subscription of redeemable preference shares	-	-	-	(13,764)
Subscription of right issue in subsidiary company	-	-	-	(1,903,501)
Proceeds from redemption of redeemable preference shares	-	-	5,451	-
Net cash (used in)/generated from investing activities	(6,324,479)	(5,527,806)	660,264	(1,400,704)
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(149,177)	(136,860)	(149,177)	(136,860)
Dividends paid to non-controlling interests	(320,160)	(267,593)	-	-
Purchase of treasury shares	-	(19,612)	-	-
(Repayment)/Drawdown of revolving credit	(200,000)	280,000	(200,000)	280,000
(Redemption)/Issuance of medium term notes and commercial paper	(370,000)	295,000	(420,000)	295,000
Repayment of senior bonds	-	(916,350)	-	-
(Repayment)/Drawdown of term loans	(214,730)	95,000	170,000	95,000
Repayment of subordinated obligations	-	(1,185,000)	-	-
Net proceeds from rights issue	-	2,098,238	-	1,097,010
Interest paid on subordinated obligations	(64,645)	(114,966)	-	-
Interest paid on borrowings	(66,116)	(100,460)	(48,468)	(33,768)
Interest paid on non-innovative Tier 1 stapled securities	-	(35,641)	-	-
Interest paid on innovative Tier 1 capital securities	(35,355)	(33,446)	-	-
Net cash (used in)/generated from financing activities	(1,420,183)	(41,690)	(647,645)	1,596,382
Changes in cash and cash equivalents	(677,586)	2,746,206	(514)	197,133
Effect of change in foreign exchange rate	315,084	89,997	-	-
Cash and cash equivalents as at 1 July	9,428,692	8,463,194	8,720	8,345
Cash and cash equivalents as at 31 March	9,066,190	11,299,397	8,206	205,478
Analysis of cash and cash equivalent				
Cash and short terms funds	9,067,090	11,299,397	9,106	205,478
Less: restricted cash	(900)	-	(900)	-
	9,066,190	11,299,397	8,206	205,478

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 MARCH 2017

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2017 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial 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 new Companies Act 2016 (the "Act") came into operation on 31 January 2017, except for Section 241 and Division 8 of Part III of the Act. Amongst the key changes introduced in the new Act which will affect the financial statements of the Group and the Company includes:

- a) removal of the authorised share capital;
- b) shares of the Company will cease to have par or nominal value; and
- c) the Company's share premium account will become part of the Company's share capital.

Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary share in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the Act is not expected to have any financial impact on the Group and the Company for the current financial period as any accounting implications will only be applied prospectively, if applicable.

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.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial period

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFGB for the financial period ended 31 March 2017 other than as mentioned below.

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

As at 31 March 2017, there is no outstanding options to be vested and exercised.

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

During the financial period ended 31 March 2017, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 March 2017 was 3,963,900 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM35,709,188 which have been classified as treasury shares for ESOS at the Group level.

7. Dividends paid

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)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

8. Segmental reporting (continued)

The Group 31 March 2017	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	3,386,885	145,312	265,410	(36,109)	-	3,761,498
Intersegment revenue	11,846	5,199	3,083	665,228	(685,356)	-
	<u>3,398,731</u>	<u>150,511</u>	<u>268,493</u>	<u>629,119</u>	<u>(685,356)</u>	<u>3,761,498</u>
Results for the period ended						
Segment results	1,809,821	65,668	194,540	605,562	(662,907)	2,012,684
Share of results of associated companies						292,478
Share of results of joint ventures						16,661
Profit before taxation						<u>2,321,823</u>
Taxation						(447,393)
Net profit for the financial period						<u>1,874,430</u>
Non-controlling interests						(626,459)
Profit attributable to owners of the parent						<u><u>1,247,971</u></u>
Other information						
Segment assets	195,002,988	4,431,788	17,859,314	17,114,169	(16,944,557)	<u><u>217,463,702</u></u>
Segment liabilities	172,905,018	3,696,443	15,200,295	1,198,392	(298,246)	<u><u>192,701,902</u></u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

8. Segmental reporting (continued)

The Group 31 March 2016	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	3,085,971	123,260	153,350	(25,750)	-	3,336,831
Intersegment revenue	13,008	3,810	4,449	526,791	(548,058)	-
	<u>3,098,979</u>	<u>127,070</u>	<u>157,799</u>	<u>501,041</u>	<u>(548,058)</u>	<u>3,336,831</u>
Results for the period ended						
Segment results	1,409,201	48,805	74,677	476,295	(528,307)	1,480,671
Share of results of associated companies						280,745
Share of results of joint ventures						14,814
Profit before taxation						<u>1,776,230</u>
Taxation						<u>(313,204)</u>
Net profit for the financial period						1,463,026
Non-controlling interests						<u>(497,628)</u>
Profit attributable to owners of the parent						<u>965,398</u>
Other information						
Segment assets	188,582,339	3,795,601	15,733,280	17,329,742	(16,851,462)	<u>208,589,500</u>
Segment liabilities	168,157,856	3,103,963	13,247,959	1,545,860	(199,372)	<u>185,856,266</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

9. Financial assets held-for-trading

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Money market instruments:		
Government treasury bills	681,501	119,332
Malaysian Government securities	1,295,568	239,083
Negotiable instruments of deposit	4,146,527	4,848,396
Malaysian Government investment certificates	572,915	320,952
Cagamas bonds	118,787	55,474
Other government securities	428,131	158,666
	<u>7,335,922</u>	<u>5,741,903</u>
Quoted securities:		
Shares in Malaysia	830,007	478,460
Shares outside Malaysia	90,463	66,899
Foreign currency bonds in Malaysia	77,218	488,718
Unit trust investments	282,222	241,851
Warrants quoted in Malaysia	101	-
	<u>1,280,011</u>	<u>1,275,928</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	44,309	53,001
Foreign currency bonds outside Malaysia	8,912	134,406
Corporate bonds and sukuk	1,032,898	1,319,435
	<u>1,086,119</u>	<u>1,506,842</u>
Total financial assets held-for-trading	<u>9,702,052</u>	<u>8,524,673</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

10. Financial investments available-for-sale

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Money market instruments:		
Government treasury bills	-	69,206
Malaysian Government securities	1,107,881	1,040,565
Malaysian Government investment certificates	4,462,393	3,547,351
Khazanah bonds	402,180	334,686
Cagamas bonds	1,411,991	1,019,398
Other government securities	2,482,695	1,790,368
	<u>9,867,140</u>	<u>7,801,574</u>
Quoted securities:		
Shares in Malaysia	1,765,794	1,344,786
Shares outside Malaysia	172,551	135,991
Foreign currency bonds in Malaysia	3,506,677	3,606,238
Foreign currency bonds outside Malaysia	2,590,821	1,954,369
Unit trust investments	7,472,940	7,079,657
	<u>15,508,783</u>	<u>14,121,041</u>
Unquoted securities :		
Shares in Malaysia	425,319	425,319
Shares outside Malaysia	4,820	4,402
Foreign currency bonds in Malaysia	204,963	1,125,156
Foreign currency bonds outside Malaysia	410,259	468,925
Investment-linked funds	300	300
Malaysian Government sukuk	2,133,966	820,552
Corporate bonds and sukuk	12,670,505	10,999,823
	<u>15,850,132</u>	<u>13,844,477</u>
Total financial investments available-for-sale	<u>41,226,055</u>	<u>35,767,092</u>

11. Financial investments held-to-maturity

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Money market instruments:		
Government treasury bills	59,933	54,922
Malaysian Government securities	2,757,274	3,403,858
Malaysian Government investment certificates	9,367,149	7,731,720
Cagamas bonds	-	30,356
Other Government securities	650,426	395,513
	<u>12,834,782</u>	<u>11,616,369</u>
Unquoted securities:		
Loan stocks	48	48
Malaysian Government sukuk	707,566	470,220
Corporate bonds and sukuk	678,028	667,159
Foreign currency bonds outside Malaysia	136,881	125,456
Redeemable preference shares	32,066	32,066
	<u>1,554,589</u>	<u>1,294,949</u>
Total financial investments held-to-maturity	<u>14,389,371</u>	<u>12,911,318</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

12. Loans, advances and financing

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Overdrafts	3,737,099	3,857,485
Term loans:		
- Housing and shop loans/financing	64,819,146	60,462,347
- Syndicated term loan/financing	9,428,791	9,339,212
- Hire purchase receivables	18,246,040	18,682,098
- Other term loans/financing	8,221,070	8,605,184
Credit/charge card receivables	3,662,299	3,755,348
Bills receivables	1,078,702	1,107,690
Trust receipts	354,336	381,531
Claims on customers under acceptance credits	7,077,454	7,439,144
Revolving credits	6,494,823	6,757,003
Policy and premium loans	593,627	614,679
Staff loans/financing	146,076	164,914
Other loans/financing	475,165	425,856
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>
Fair value changes arising from fair value hedges	(101)	-
Unamortised fair value changes arising from terminated fair value hedges	(108)	(784)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(850,098)	(856,971)
- individual assessment allowance	(297,130)	(289,844)
Total net loans, advances and financing	<u>123,187,191</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 31/03/2017 RM '000	As at 30/06/2016 RM '000
Domestic financial institutions	-	47
Domestic non-bank financial institutions	639,098	600,249
Domestic business enterprises		
- small and medium enterprises	20,060,436	19,246,622
- others	15,198,019	17,099,287
Government and statutory bodies	28,957	24,804
Individuals	80,951,170	77,670,558
Other domestic entities	289,330	75,714
Foreign entities	7,167,618	6,875,210
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Fixed rate		
- Housing and shop loans/financing	4,009,714	2,604,404
- Hire purchase receivables	17,815,737	18,200,640
- Other fixed rate loan/financing	7,494,622	8,083,838
Variable rate		
- Base lending rate plus	78,238,390	75,993,221
- Cost plus	16,349,577	16,322,812
- Other variables rates	426,588	387,576
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Purchase of securities	737,890	856,080
Purchase of transport vehicles	17,871,805	18,445,657
Purchase of landed properties		
- residential	55,682,957	51,510,277
- non-residential	15,719,065	14,986,782
Purchase of fixed assets (excluding landed properties)	406,495	434,041
Personal use	3,719,775	3,766,429
Credit card	3,662,299	3,755,348
Purchase of consumer durables	-	387
Construction	1,357,829	1,386,003
Mergers and acquisition	213,744	233,364
Working capital	22,469,287	23,529,783
Other purpose	2,493,482	2,688,340
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>

(d) By geographical distribution

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Malaysia	117,947,728	115,965,819
Singapore	5,189,476	4,678,961
Hong Kong	16,076	34,168
Vietnam	426,588	387,576
Cambodia	754,760	525,967
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>

(e) By residual contractual maturity

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Within one year	26,775,293	27,848,217
One year to less than three years	5,234,123	5,434,573
Three years to less than five years	10,668,226	10,710,736
Five years and more	81,656,986	77,598,965
Gross loans, advances and financing	<u>124,334,628</u>	<u>121,592,491</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Purchase of securities	2,322	225
Purchase of transport vehicles	138,411	145,528
Purchase of landed properties		
- residential	277,085	233,566
- non-residential	124,672	99,145
Purchase of fixed assets (excluding landed properties)	8,238	22,872
Personal use	45,413	36,909
Credit card	45,475	44,308
Construction	7,328	9,138
Working capital	414,837	346,555
Other purpose	22,865	18,907
Gross impaired loans, advances and financing	1,086,646	957,153

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

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Malaysia	1,074,494	943,207
Singapore	6,145	5,601
Vietnam	6,007	8,345
Gross impaired loans, advances and financing	1,086,646	957,153

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

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
As at beginning of the financial period/year	957,153	948,583
Impaired during the financial period/year	1,268,369	1,572,187
Performing during the financial period/year	(600,777)	(798,443)
Amount written back in respect of recoveries	(256,820)	(338,880)
Amount written off	(282,455)	(426,490)
Exchange differences	1,176	196
As at end of the financial period/year	1,086,646	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
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

12. Loans, advances and financing (continued)

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

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	856,971	969,925
Net allowance made during the period/year	229,308	263,678
Amount transferred to individual assessment allowance	(729)	(109)
Amount written off	(228,763)	(365,615)
Unwinding income	(7,470)	(11,465)
Exchange differences	781	557
As at end of the financial period/year	<u>850,098</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	65,317	57,180
Amount transferred from collective assessment allowance	729	109
Amount transfer to allowance for impairment losses on securities	-	(2,566)
Amount written back in respect of recoveries	(28,093)	(61,626)
Amount written off	(24,956)	(22,014)
Unwinding income	(6,380)	(4,404)
Exchange differences	669	94
As at end of the financial period/year	<u>297,130</u>	<u>289,844</u>

13. Other receivables

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Investment properties	1,940	1,940
Foreclosed properties	46	46
Sundry debtors and other prepayments	169,971	337,397
Treasury related receivable	847,974	629,659
Fee income receivable	14,178	7,743
Collateral pledged for derivative transactions	715,166	684,890
Other receivables	166,832	157,093
	<u>1,916,107</u>	<u>1,818,768</u>
	The Company	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Amount due from subsidiary companies	91	48
Sundry debtors and other prepayments	410	410
Other receivables	228	229
	<u>729</u>	<u>687</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Fixed deposits	87,423,311	85,737,639
Short-term placement	17,757,327	16,429,616
Negotiable instruments of deposits	5,601,525	7,816,740
	<u>110,782,163</u>	<u>109,983,995</u>
Demand deposits	21,363,093	20,559,745
Savings deposits	17,384,382	16,581,413
Others	1,001,199	943,461
Gross deposits from customers	<u>150,530,837</u>	<u>148,068,614</u>
At fair value through profit and loss		
Callable range accrual notes	2,373,402	1,442,912
Callable inverse floater, at cost	43,370	-
Fair value changes arising from designation at fair value through profit or loss*	(151,433)	(20,993)
Total net deposits from customers	<u>152,796,176</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 31/03/2017 RM '000	As at 30/06/2016 RM '000
Government and statutory bodies	3,857,276	2,891,538
Business enterprises	61,169,072	62,776,728
Individuals	85,082,573	81,366,305
Others	2,687,255	2,455,962
Gross deposits from customers	<u>152,796,176</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 31/03/2017 RM '000	As at 30/06/2016 RM '000
Due within six months	87,934,705	90,130,671
More than six months to one year	19,216,784	16,791,342
More than one year to five years	3,630,674	3,044,069
More than five years	-	17,913
	<u>110,782,163</u>	<u>109,983,995</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

15. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Licensed banks and investment banks	6,775,712	6,842,865
Other financial institutions	1,336,608	1,263,135
	<u>8,112,320</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>8,112,320</u>	<u>8,106,000</u>

16. Payables and other liabilities

	The Group	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Trade payables	2,220,985	1,964,896
Loan advance payment	2,918,365	2,641,139
Post employment benefits obligations - defined contribution plan	1,809	1,774
Treasury and cheque clearing	638,579	163,202
Treasury related payables	306,205	189,958
Sundry creditors and accruals	354,687	560,146
Provision for bonus and staff related expenses	152,239	151,062
Others	529,898	565,645
	<u>7,122,767</u>	<u>6,237,822</u>
	The Company	
	As at	As at
	31/03/2017	30/06/2016
	RM '000	RM '000
Sundry creditors and accruals	1,165	1,462
Provision for bonus and staff related expenses	5,356	7,846
Post employment benefits obligations - defined contribution plan	44	43
	<u>6,565</u>	<u>9,351</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

17. Interest income

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
Loans, advances and financing	1,152,652	1,173,812	3,486,955	3,492,925
Money at call and deposit placements with financial institutions	39,630	61,690	93,138	153,408
Securities purchased under resale agreements	5	31,380	35,284	118,475
Financial assets held-for-trading	108,316	156,893	326,363	427,158
Financial investments available-for-sale	172,195	134,091	503,555	404,639
Financial investments held-to-maturity	97,732	81,143	282,703	238,239
Others	4,797	3,323	12,589	11,590
	<u>1,575,327</u>	<u>1,642,332</u>	<u>4,740,587</u>	<u>4,846,434</u>
Of which:				
Interest income earned on impaired loans, advances and financing	5,958	11,835	18,425	36,885

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
Money at call and deposit placements with financial institutions	235	212	945	4,636

18. Interest expense

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
Deposits and placements of banks and other financial institutions	30,993	28,605	82,076	73,578
Deposits from customers	674,973	774,465	2,109,348	2,236,565
Short term placements	80,814	87,373	231,631	223,381
Borrowings	24,596	36,413	76,705	105,790
Subordinated obligations	28,968	40,194	88,226	137,703
Recourse obligation on loans sold to Cagamas	1,875	-	4,832	-
Non-innovative Tier 1 stapled securities	-	17,655	-	53,436
Innovative Tier 1 capital securities	8,830	8,248	26,342	24,340
Others	5,062	1,574	16,519	9,680
	<u>856,111</u>	<u>994,527</u>	<u>2,635,679</u>	<u>2,864,473</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
Borrowings	13,748	15,877	45,899	39,346
Others	149	78	311	463
	<u>13,897</u>	<u>15,955</u>	<u>46,210</u>	<u>39,809</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Net income from insurance business	40,025	(7,691)	205,521	126,697
Net brokerage and commissions from stockbroking business	20,386	15,622	49,176	45,294
Net unit trust and asset management income	6,670	5,258	19,392	15,200
Fee income:				
Commissions	32,446	32,229	107,744	104,659
Service charges and fees	14,400	15,555	37,920	39,138
Guarantee fees	3,154	4,949	10,253	12,762
Credit card related fees	56,991	60,387	180,469	184,966
Corporate advisory fees	1,449	1,831	6,483	5,251
Commitment fees	8,479	8,494	26,325	26,248
Fee on loans, advances and financing	8,541	13,478	40,656	42,440
Placement fees	-	619	3,542	7,448
Arranger fees	1,434	1,495	6,330	10,648
Other fee income	41,091	34,430	81,554	69,389
	<u>167,985</u>	<u>173,467</u>	<u>501,276</u>	<u>502,949</u>
Gain/(loss) arising from sale of financial assets:				
Net (loss)/gain from sale of financial assets held-for-trading	(18,710)	20,039	2,286	26,575
Net gain from sale of financial investments available-for-sale	2,300	27,494	24,641	39,692
Net gain from redemption of financial investments held-to-maturity	116	2	150	31
Net gain/(loss) from sale of derivatives financial instruments	16,078	24,453	22,783	(40,884)
	<u>(216)</u>	<u>71,988</u>	<u>49,860</u>	<u>25,414</u>
Gross dividend income from:				
Financial assets held-for-trading	1,318	422	1,948	5,155
Financial investments available-for-sale	67,049	61,462	214,512	150,842
	<u>68,367</u>	<u>61,884</u>	<u>216,460</u>	<u>155,997</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	32,140	21,756	(200)	14,173
Derivatives financial instruments	(14,046)	(129,560)	135,740	(79,961)
	<u>18,094</u>	<u>(107,804)</u>	<u>135,540</u>	<u>(65,788)</u>
Amortisation of fair value changes arising from terminated fair value hedges	(15)	(73)	(41)	(477)
Net unrealised gain on fair value changes arising from fair value hedges	(37)	-	(37)	-
Other income:				
Foreign exchange gain	41,323	41,982	54,997	188,912
Rental income	346	2,591	2,888	7,250
Gain on disposal of property and equipment (net)	158	1,934	1,272	1,954
Others	3,993	4,068	12,988	5,148
	<u>45,820</u>	<u>50,575</u>	<u>72,145</u>	<u>203,264</u>
Total non-interest income	<u>367,079</u>	<u>263,226</u>	<u>1,249,292</u>	<u>1,008,550</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Fee income:				
Management fees	2,631	2,523	4,241	8,067
Net loss from sale of financial assets held-for-trading	-	-	-	16
Net loss from sale of derivatives financial instruments	-	-	(80)	(1,910)
Gross dividend income from:				
Financial assets held-for-trading	-	-	-	3,031
Subsidiary companies	199,044	199,044	655,150	513,534
Net unrealised gain/(loss) on revaluation of:				
Derivatives financial instruments	107	(1,145)	738	(184)
Other income	-	16	15	198
Total non-interest income	201,782	200,438	660,064	522,752

20. Overhead expenses

	The Group		The Group	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	282,617	258,362	848,544	780,343
- Mutual separation scheme (MSS) *	-	-	-	171,658
- Medical expenses	8,944	7,503	21,279	22,503
- Training and convention expenses	4,225	5,351	21,727	25,494
- Staff welfare	2,849	3,092	9,318	6,884
- Others	12,123	12,171	34,883	35,267
	310,758	286,479	935,751	1,042,149
<u>Establishment costs</u>				
- Depreciation of property and equipment	25,908	22,555	73,550	65,416
- Amortisation of intangible assets	20,324	19,899	60,717	58,571
- Rental of premises	22,460	23,391	68,198	70,366
- Information technology expenses	42,778	27,965	116,534	93,967
- Security services	6,544	5,142	20,740	19,607
- Electricity, water and sewerage	6,196	6,117	18,588	18,492
- Hire of plant and machinery	3,747	4,140	10,909	11,958
- Others	3,805	6,024	18,019	16,730
	131,762	115,233	387,255	355,107
<u>Marketing expenses</u>				
- Advertisement and publicity	10,342	12,160	25,409	29,055
- Credit card related fees	23,999	28,749	81,044	90,540
- Others	5,436	3,898	15,542	15,149
	39,777	44,807	121,995	134,744
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,881	2,266	13,640	10,544
- Stationery and printing expenses	3,958	4,881	12,474	13,321
- Professional fees	20,152	17,378	53,772	50,003
- Insurance fees	10,386	10,005	30,060	28,716
- Credit card fees	10,985	9,488	29,112	27,634
- Travelling and transport expenses	1,135	1,396	3,267	3,594
- Registration and license fees	2,649	2,427	7,616	7,249
- Brokerage and commission	1,913	1,593	4,971	5,079
- Stamp, postage and courier	5,159	3,904	14,968	15,410
- Others	9,144	15,210	36,360	38,589
	70,362	68,548	206,240	200,139
	552,659	515,067	1,651,241	1,732,139

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

20. Overhead expenses (continued)

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	1,289	(1,204)	9,174	5,661
- Medical expenses	38	30	62	74
- Training and convention expenses	4	14	9	22
- Staff welfare	137	109	391	258
- Others	165	165	484	428
	<u>1,633</u>	<u>(886)</u>	<u>10,120</u>	<u>6,443</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	170	165	489	492
- Amortisation of intangible assets	27	26	81	81
- Rental of premises	190	190	570	539
- Electricity, water and sewerage	12	9	34	30
- Hire of machinery	9	6	23	25
- Others	88	97	185	223
	<u>496</u>	<u>493</u>	<u>1,382</u>	<u>1,390</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	7	23	23
- Stationery and printing expenses	4	5	14	29
- Professional fees	368	(193)	812	555
- Management fees	562	562	1,688	1,688
- Travelling and transport expenses	38	12	99	29
- Others	123	43	323	157
	<u>1,102</u>	<u>436</u>	<u>2,959</u>	<u>2,481</u>
	<u>3,231</u>	<u>43</u>	<u>14,461</u>	<u>10,314</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 31/03/2017 RM '000	quarter ended 31/03/2016 RM '000	to date 31/03/2017 RM '000	to date 31/03/2016 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance/(writeback)	19,197	(13,740)	37,224	(15,184)
- Collective assessment allowance	89,181	87,981	229,308	266,636
Allowance for/(Writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(23)	(26)	188	7
- Collective assessment allowance	(4)	-	(1)	-
Allowance for impairment losses on other assets				
- Individual assessment allowance	632	-	806	-
Impaired loans and financing:				
- written off	5,886	5,713	16,569	16,822
- recovered	(68,941)	(60,527)	(186,578)	(164,625)
	<u>45,928</u>	<u>19,401</u>	<u>97,516</u>	<u>103,656</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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	
	31/03/2017	30/06/2016	31/03/2017	30/06/2016	31/03/2017	30/06/2016
Before deducting proposed dividends						
CET I capital ratio	12.685%	13.176%	12.061%	12.493%	22.151%	29.202%
Tier I capital ratio	13.086%	13.577%	12.531%	12.961%	22.151%	29.202%
Total capital ratio	15.132%	15.104%	14.912%	14.858%	25.989%	33.576%
After deducting proposed dividends						
CET I capital ratio	12.685%	12.745%	12.061%	11.991%	22.151%	24.986%
Tier I capital ratio	13.086%	13.146%	12.531%	12.458%	22.151%	24.986%
Total capital ratio	15.132%	14.673%	14.912%	14.355%	25.989%	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	
	31/03/2017	30/06/2016	31/03/2017	30/06/2016	31/03/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
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	8,437,720	8,412,365	6,100,438	6,035,024	(15,943)	36,357
Other reserves	5,229,499	4,939,875	3,735,821	3,727,869	197,488	199,404
Less: Treasury shares	(733,961)	(735,040)	(733,961)	(735,040)	-	-
Less: Other intangible assets	(222,185)	(264,766)	(205,381)	(246,784)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(34,201)	(34,379)
Less: Deferred tax assets	(4,843)	(3,957)	-	-	(91,882)	(91,882)
Less: Investment in subsidiary companies/ associated company/joint venture	(2,938,435)	(1,993,586)	(2,148,517)	(1,531,798)	(160)	(217)
Total CET I capital	15,675,546	16,262,642	12,715,916	13,216,787	308,252	362,233
Additional Tier I capital						
Innovative Tier I capital securities	495,414	494,142	495,414	494,142	-	-
Total additional Tier I capital	495,414	494,142	495,414	494,142	-	-
Total Tier I capital	16,170,960	16,756,784	13,211,330	13,710,929	308,252	362,233

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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	
	31/03/2017	30/06/2016	31/03/2017	30/06/2016	31/03/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II Capital						
Collective assessment allowance ^ and regulatory reserves #	1,263,044	1,214,681	1,047,872	1,029,079	3,445	4,394
Subordinated obligations	1,999,657	1,999,411	1,999,657	1,999,411	50,000	50,000
Tier II capital before regulatory adjustments	3,262,701	3,214,092	3,047,529	3,028,490	53,445	54,394
Less: Investment in subsidiary companies/ associated company/joint venture	(734,609)	(1,329,057)	(537,129)	(1,021,198)	(40)	(144)
Total Tier II capital	2,528,092	1,885,035	2,510,400	2,007,292	53,405	54,250
Total capital	18,699,052	18,641,819	15,721,730	15,718,221	361,657	416,483

^ 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 RM631,747,000 (2016:RM587,527,000), Hong Leong Bank Berhad of RM522,062,000 (2016: RM495,008,000) and Hong Leong Investment Bank Berhad of RM3,074,000 (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	
	31/03/2017	30/06/2016	31/03/2017	30/06/2016	31/03/2017	30/06/2016
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	112,529,167	111,838,090	95,019,338	95,233,431	525,809	520,091
Market risk	3,168,964	3,951,986	3,529,551	3,857,577	563,429	416,042
Operational risk	7,873,584	7,633,295	6,880,818	6,698,869	302,344	304,287
Total RWA	123,571,715	123,423,371	105,429,707	105,789,877	1,391,582	1,240,420

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

	Hong Leong Islamic Bank	
	31/03/2017	30/06/2016
Before deducting proposed dividends		
CET I capital ratio	10.262%	10.383%
Tier I capital ratio	10.262%	10.383%
Total capital ratio	13.687%	13.855%
After deducting proposed dividends		
CET I capital ratio	10.262%	10.383%
Tier I capital ratio	10.262%	10.383%
Total capital ratio	13.687%	13.855%

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 31 March 2017.

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) Wah Tat Nominees (Asing) Sdn Bhd, a wholly-owned subsidiary of WTB Corporation Sdn Bhd, was dissolved on 6 April 2017.
- (f) Prominic Berhad, a wholly-owned subsidiary of HLB, was dissolved on 17 May 2017.

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.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

26. Commitments and contingencies

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

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

	The Group	
	31/03/2017	30/06/2016
	RM'000	RM'000
Direct credit substitutes	85,095	121,679
Certain transaction related contingent items	1,408,434	1,621,014
Short-term self liquidating trade related contingencies	808,167	766,350
Irrevocable commitments to extend credit:		
- less than one year	17,255,563	17,515,111
- more than one year	13,392,829	16,125,773
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	674,071	686,780
Foreign exchange related contracts		
- less than one year	41,591,728	30,866,808
- one year to less than five years	4,978,939	4,950,940
- five years and above	1,398,303	895,329
Interest rate related contracts		
- less than one year	38,603,495	35,439,838
- one year to less than five years	39,086,615	39,926,819
- five years and above	5,118,936	2,532,411
Equity related contracts		
- less than one year	549,954	296,489
- one year to less than five years	241,263	219,299
Commodity related contracts		
- less than one year	-	4,949
Unutilised credit card lines	7,379,931	7,503,020
Total	<u>172,573,323</u>	<u>159,472,609</u>

	The Company	
	31/03/2017	30/06/2016
	RM'000	RM'000
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 March 2017 (30 June 2016: RM1 million).

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

27. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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
31 March 2017				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	7,335,922	-	7,335,922
- Quoted securities	1,280,011	-	-	1,280,011
- Unquoted securities	-	1,086,119	-	1,086,119
Financial investments available-for-sale				
- Money market instruments	-	9,867,140	-	9,867,140
- Quoted securities	15,508,783	-	-	15,508,783
- Unquoted securities	-	15,419,994	430,138	15,850,132
Derivative financial instruments	2,120	1,857,013	6,064	1,865,197
	<u>16,790,914</u>	<u>35,566,188</u>	<u>436,202</u>	<u>52,793,304</u>
<u>Financial liabilities</u>				
Derivative financial instruments	1,848	2,104,700	6,064	2,112,612
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,265,339	-	2,265,339
	<u>1,848</u>	<u>4,370,039</u>	<u>6,064</u>	<u>4,377,951</u>
30 June 2016				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	5,741,903	-	5,741,903
- Quoted securities	1,275,928	-	-	1,275,928
- Unquoted securities	-	1,506,842	-	1,506,842
Financial investments available-for-sale				
- Money market instruments	-	7,801,574	-	7,801,574
- Quoted securities	14,121,041	-	-	14,121,041
- Unquoted securities	-	13,414,757	429,720	13,844,477
Derivative financial instruments	11	1,054,352	7,995	1,062,358
	<u>15,396,980</u>	<u>29,519,428</u>	<u>437,715</u>	<u>45,354,123</u>
<u>Financial liabilities</u>				
Derivative financial instruments	1,564	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).

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2017				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	718	-	718

30 June 2016

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

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

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
31 March 2017			
As at beginning of the financial year	429,720	7,995	7,995
Fair value changes recognised in statements of income	-	2,614	2,614
Net fair value changes recognised in other comprehensive income	418	-	-
Purchase	-	3,010	3,010
Settlements	-	(7,555)	(7,555)
As at end of the financial period	430,138	6,064	6,064
Fair value changes recognised in statement of income relating to assets/liability held on 31 March 2017	-	2,614	2,614
Total gain recognised in other comprehensive income relating to assets held on 31 March 2017	418	-	-
	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
30 June 2016			
As at beginning of the financial year	397,279	6,952	6,952
Fair value changes recognised in statements of income	-	(3,023)	(3,023)
Net fair value changes recognised in other comprehensive income	32,441	-	-
Purchase	-	4,171	4,171
Disposal	-	(105)	(105)
As at end of the financial 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
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM763.8 million for the current quarter ended 31 March 2017 as compared to RM591.9 million in the previous corresponding quarter, an increase of RM171.9 million or 29.0%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM697.0 million for the current quarter ended 31 March 2017 as compared to RM606.6 million in the previous corresponding quarter, an increase of RM90.4 million or 14.9%. The increase was mainly due to higher revenue of RM121.5 million and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM23.5 million. This was however offset by higher operating expenses of RM28.8 million and higher allowance for impairment losses on loans, advances and financing of RM26.1 million.

HLA Holdings Group recorded a profit before tax of RM56.0 million for the current quarter ended 31 March 2017 as compared to a loss before tax of RM8.7 million in the previous corresponding quarter, an increase of RM64.7 million or 736.4%. The increase was mainly due to lower actuarial reserve provisioning of RM53.2 million, higher share of profit from associated company of RM1.9 million, higher revenue of RM7.0 million and lower allowance for impairment losses on securities of RM4.1 million. This was however offset by a higher operating expenses of RM1.5 million.

Hong Leong Capital Group recorded a profit before tax of RM25.8 million for the current quarter ended 31 March 2017 as compared to RM14.5 million in the previous corresponding quarter, an increase of RM11.3 million or 77.9%. This was mainly due to higher contribution from the investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM2,321.8 million for the period ended 31 March 2017 as compared to RM1,776.2 million in the previous corresponding period, an increase of RM545.6 million or 30.7%. Excluding the one-off MSS expense in the previous corresponding period, the Group PBT increased by RM373.9 million or 19.2%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,068.3 million for the period ended 31 March 2017 as compared to RM1,657.3 million in the previous corresponding period, an increase of RM411.0 million or 24.8%. Excluding the one-off MSS expense in the previous corresponding period, HLB Group PBT increased by RM239.3 million or 13.1%. The increase was due to higher revenue of RM299.8 million, lower operating expenses of RM100.7 million (inclusive of MSS expense in the previous corresponding period), lower allowance for impairment losses on loans, advances and financing of RM6.4 million and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM10.4 million. This was however offset by higher allowance for impairment losses from securities of RM6.3 million.

HLA Holdings Group recorded a profit before tax of RM245.2 million for the period ended 31 March 2017 as compared to RM122.3 million in the previous corresponding period, an increase of RM122.9 million or 100.5%. The increase was mainly due to lower actuarial reserve provisioning of RM77.5 million, higher revenue of RM33.2 million, lower allowance for impairment losses on securities of RM20.8 million and higher share of profit from an associated company of RM3.0 million. This was however offset by higher operating expenses of RM11.6 million.

Hong Leong Capital Group recorded a profit before tax of RM65.7 million for the period ended 31 March 2017 as compared to RM48.8 million in the previous corresponding period, an increase of RM16.9 million or 34.6%. 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 RM763.8 million for the current quarter ended 31 March 2017 as compared to RM832.5 million in the preceding quarter, a decrease of RM68.7 million or 8.3%. The decrease was mainly due to lower contribution from the insurance division.

Hong Leong Bank Group recorded a profit before tax of RM697.0 million for the current quarter ended 31 March 2017 as compared to RM696.6 million in the preceding quarter, an increase of RM0.4 million or 0.1%. The increase was mainly due to higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM72.2 million and lower allowance for impairment losses on securities of RM0.9 million. This was however offset by lower revenue of RM55.0 million and higher allowance for impairment losses on securities of RM17.7 million.

HLA Holdings Group recorded a profit before tax of RM56.0 million for the current quarter ended 31 March 2017 as compared to RM135.6 million in the preceding quarter, a decrease of RM79.6 million or 58.7%. The decrease was mainly due to higher actuarial reserve provisioning of RM71.0 million, lower revenue of RM7.6 million and lower share of profit from associated company of RM3.7 million. This was however mitigated by lower operating expenses of RM2.5 million.

Hong Leong Capital Group recorded a profit before tax of RM25.8 million for the current quarter ended 31 March 2017 as compared to RM21.5 million in the preceding quarter, an increase of RM4.3 million or 20.0%. This was mainly due to higher contribution from its investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Malaysian income tax	126,288	6,401	462,109	313,209
Transfer from deferred tax	8,095	99,918	(16,845)	(577)
	<u>134,383</u>	<u>106,319</u>	<u>445,264</u>	<u>312,632</u>
Prior year over provision - Malaysia	2,105	634	2,129	572
	<u>136,488</u>	<u>106,953</u>	<u>447,393</u>	<u>313,204</u>

	The Company		The Company	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Malaysian income tax	752	924	1,302	3,118
Transfer from deferred tax	19	1,269	276	231
	<u>771</u>	<u>2,193</u>	<u>1,578</u>	<u>3,349</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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

10 Borrowings

		The Group	
		As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
	Note		
Revolving credit	(i)	105,148	305,450
Commercial papers	(ii)	79,871	349,347
Medium term notes	(ii)	654,133	756,286
Term loans/bridging loan	(iii)	350,306	565,193
Senior bonds	(iv)	1,345,770	1,215,643
		<u>2,535,228</u>	<u>3,191,919</u>
Repayment of revolving credit			
- less than one year		105,148	305,450
Repayment of commercial papers			
- less than one year		79,871	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		403,823	352,528
- three years and above		250,310	253,274
Repayment of term loans/bridging loan			
- less than one year		350,306	10,463
- one to five years		-	554,730
Repayment of senior bonds			
- less than one year		1,345,770	1,215,643
		<u>2,535,228</u>	<u>3,191,919</u>
		The Company	
		As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
	Note		
Revolving credit	(i)	105,148	305,450
Commercial papers	(ii)	79,871	349,347
Medium term notes	(ii)	654,133	806,457
Term loans	(iii)	350,306	180,463
		<u>1,189,458</u>	<u>1,641,717</u>
Repayment of revolving credit			
- less than one year		105,148	305,450
Repayment of commercial papers			
- less than one year		79,871	349,347
Repayment of medium term notes			
- less than one year		-	150,484
- one to three years		403,823	402,705
- three years and above		250,310	253,268
Repayment of term loans			
- less than one year		350,306	10,463
- one to three years		-	170,000
		<u>1,189,458</u>	<u>1,641,717</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 3.68% (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 3.51% 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 3.51% 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 31/03/2017 RM '000	As at 30/06/2016 RM '000
USD 300 million senior bonds, at par	(a)	919,200	919,200
Foreign exchange translations		408,000	290,550
		<u>1,327,200</u>	<u>1,209,750</u>
Add: Interest payable		18,664	7,561
		<u>1,345,864</u>	<u>1,217,311</u>
Less: Unamortised discounts		(94)	(1,668)
		<u><u>1,345,770</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%.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

11 Subordinated obligations

	Note	The Group	
		As at 31/03/2017 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		18,494	1,480
		<u>1,518,494</u>	<u>1,501,480</u>
Less: Unamortised discounts		(343)	(589)
		<u>1,518,151</u>	<u>1,500,891</u>
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000
Add: Interest payable		3,205	8,692
		<u>503,205</u>	<u>508,692</u>
Less: Unamortised discounts		(1,487)	(1,620)
		<u>501,718</u>	<u>507,072</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000
Add: Interest payable		5,418	736
		<u>405,418</u>	<u>400,736</u>
Less: Unamortised discounts		(155)	(254)
		<u>405,263</u>	<u>400,482</u>
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000
Add: Interest payable		6,510	526
		<u>506,510</u>	<u>500,526</u>
Less: Unamortised discounts		(337)	(577)
		<u>506,173</u>	<u>499,949</u>
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000
Add: Interest payable		1,053	407
		<u>51,053</u>	<u>50,407</u>
Less: Unamortised discounts		(136)	(160)
		<u>50,917</u>	<u>50,247</u>
		<u>2,982,222</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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 31/03/2017 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	2,486	12,771
	502,486	512,771
Less: Unamortised discounts	(4,586)	(5,858)
Add: Fair value adjustments on completion of business combination accounting	8,704	14,599
	506,604	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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

13 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2017

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	30,349,292	1,034,197	(746,230)
(ii) 1 year to 3 years	132,720	166	-
(ii) More than 3 years	160,078	375	(26,975)
- Swaps			
(i) Less than 1 year	8,672,964	251,656	(184,369)
(ii) 1 year to 3 years	4,131,632	125,325	(585,577)
(iii) More than 3 years	1,952,812	140,831	(67,442)
- Options			
(i) Less than 1 year	2,569,472	17,986	(11,337)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	20,605,911	2,120	(2,394)
- Swaps			
(i) Less than 1 year	17,909,084	17,497	(17,482)
(ii) 1 year to 3 years	22,273,095	69,794	(99,905)
(iii) More than 3 years	21,932,459	197,272	(345,960)
- Cross currency swaps			
(i) Less than 1 year	88,500	52	(18,877)
Equity related contracts			
(i) Less than 1 year	549,954	3,032	(2,592)
(ii) 1 year to 3 years	234,263	3,472	(3,472)
(iii) More than 3 years	7,000	1,422	-
Total	131,569,236	1,865,197	(2,112,612)

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	-	(718)
Total	100,000	-	(718)

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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)
Total	115,132,882	1,062,358	(1,654,225)

The Company

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

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 RM69,313,000 (FYE June 2016: RM98,374,000) and RM79,120,219,000 (FYE June 2016: RM76,308,873,000) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,954,701,000 (FYE June 2016: RM1,031,399,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 HLFG Dividends

A second single-tier interim dividend of 25 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share : 25 sen per share
- (ii) Previous corresponding period : 25 sen per share
- (iii) Entitlement date : 14 June 2017
- (iv) Payment date : 23 June 2017

For the financial year ended 31 March 2017, a total single-tier dividend of 38 sen per share was declared (31 March 2016: 38 sen per share).

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Net profit attributable to equity holders	418,746	315,067	1,247,971	965,398
Weighted average number of ordinary shares ('000)	1,143,552	1,143,573	1,143,552	1,089,510
Basic earnings per share (Sen)	36.6	27.6	109.1	88.6

	The Company		The Company	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Net profit attributable to equity holders	184,118	182,459	598,760	473,916
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,092,734
Basic earnings per share (Sen)	16.0	15.9	52.2	43.4

(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 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Net profit attributable to equity holders	418,746	315,067	1,247,971	965,398
Weighted average number of ordinary shares ('000)	1,143,552	1,143,573	1,143,552	1,089,510
- during the year	1,143,552	1,143,573	1,143,552	1,089,510
Fully diluted earnings per share (Sen)	36.6	27.6	109.1	88.6

	The Company		The Company	
	Current quarter ended 31/03/2017 RM '000	Last year quarter ended 31/03/2016 RM '000	Current year to date 31/03/2017 RM '000	Last year to date 31/03/2016 RM '000
Net profit attributable to equity holders	184,118	182,459	598,760	473,916
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,092,734
- during the year	1,147,516	1,147,516	1,147,516	1,092,734
Fully diluted earnings per share (Sen)	16.0	15.9	52.2	43.4

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

17 Realised and unrealised profit

	The Group	
	As at 31/03/2017 RM '000	As at 30/06/2016 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	20,640,283	20,418,733
- Unrealised	1,649,365	908,372
Total share of retained profits from associated companies		
- Realised	2,493,493	2,201,404
- Unrealised	2,963	2,574
Total share of retained profits from joint ventures		
- Realised	64,359	47,698
	<u>24,850,463</u>	<u>23,578,781</u>
Less: Consolidation adjustments	(15,612,956)	(15,350,344)
Total Group's retained profits as per consolidated accounts	<u><u>9,237,507</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 29th May 2017