

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

	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	11,591,363	12,772,343
Deposits and placements with banks and other financial institutions	11,289,690	6,013,958
Securities purchased under resale agreements	827,898	336,003
Financial assets held-for-trading	10,332,665	9,453,437
Financial investments available-for-sale	38,422,078	35,163,362
Financial investments held-to-maturity	14,303,785	14,581,030
Derivative financial instruments	848,390	977,604
Loans, advances and financing	125,214,031	124,812,079
Clients' and brokers' balances	521,876	508,070
Other receivables	944,031	1,529,785
Statutory deposits with Central Banks	3,827,505	3,796,330
Tax recoverable	294	1,909
Investment in associates	4,550,071	4,321,625
Investment in joint ventures	171,928	169,185
Property and equipment	1,883,105	1,884,451
Goodwill	2,410,644	2,410,644
Intangible assets	192,617	230,588
<b>Total Assets</b>	<b>227,331,971</b>	<b>218,962,403</b>
<b><u>Liabilities</u></b>		
Deposits from customers	154,267,450	154,458,017
Deposits and placements of banks and other financial institutions	9,496,657	7,734,425
Obligations on securities sold under repurchase agreements	5,692,129	2,978,728
Bills and acceptances payable	353,087	364,675
Derivatives financial instruments	1,720,628	1,479,564
Clients' and brokers' balances	432,953	271,738
Payables and other liabilities	10,503,466	8,531,035
Recourse obligations on loans sold to Cagamas Berhad	202,971	202,926
Provision for claims	140,387	147,767
Provision for taxation	320,666	235,309
Deferred tax liabilities	307,737	302,517
Borrowings	1,242,486	1,526,222
Subordinated obligations	2,960,497	2,959,779
Innovative Tier 1 capital securities	513,643	515,623
Multi-currency Additional Tier -1 capital securities	401,316	-
Insurance funds	12,903,281	12,221,565
<b>Total Liabilities</b>	<b>201,459,354</b>	<b>193,929,890</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,483,805	1,590,528
Retained profits	13,328,508	12,527,478
Fair value reserve	225,871	259,635
Treasury shares for ESOS	(35,712)	(35,712)
<b>Total shareholders' equity</b>	<b>17,269,480</b>	<b>16,608,937</b>
Non-controlling interests	8,603,137	8,423,576
<b>Total Equity</b>	<b>25,872,617</b>	<b>25,032,513</b>
<b>Total Liabilities and Equity</b>	<b>227,331,971</b>	<b>218,962,403</b>
<b>Commitment and Contingencies</b>	<b>200,772,679</b>	<b>171,332,247</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	15.10	14.52

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2017 RM '000	Last year quarter ended 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Last year to date 31/12/2016 RM '000
<b>THE GROUP</b>				
Interest income	1,628,249	1,581,433	3,237,391	3,165,260
Interest expense	(881,594)	(878,013)	(1,762,193)	(1,779,568)
Net interest income	746,655	703,420	1,475,198	1,385,692
Net income from Islamic banking business	156,833	138,410	316,643	268,011
Non-interest income	462,527	512,623	852,926	882,212
Net income	1,366,015	1,354,453	2,644,767	2,535,915
Overhead expenses	(572,337)	(560,562)	(1,130,583)	(1,098,582)
Operating profit before allowances	793,678	793,891	1,514,184	1,437,333
Allowance for impairment losses on loans, advances and financing and other losses	(10,423)	(28,547)	(54,106)	(51,588)
Writeback of/(Allowance for) impairment losses	271	1,477	91	(2,573)
	783,526	766,821	1,460,169	1,383,172
Share of results of associated companies	136,274	60,095	295,525	163,030
Share of results of joint ventures	4,928	5,578	9,495	11,806
Profit before taxation	924,728	832,494	1,765,189	1,558,008
Taxation	(174,941)	(168,751)	(325,315)	(310,905)
Net profit for the financial period	749,787	663,743	1,439,874	1,247,103
Attributable to:				
Owners of the parent	495,343	443,033	950,595	829,225
Non-controlling interests	254,444	220,710	489,279	417,878
Net profit for the financial period	749,787	663,743	1,439,874	1,247,103
Earnings per share - basic (sen)	43.3	38.7	83.1	72.5
Earnings per share - fully diluted (sen)	43.3	38.7	83.1	72.5

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2017 RM '000	Last year quarter ended 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Last year to date 31/12/2016 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	749,787	663,743	1,439,874	1,247,103
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income/(loss) of associated companies	1,102	(9,028)	1,218	(6,816)
Net fair value changes in financial investments available-for-sale	(82,342)	(375,847)	(64,173)	(273,584)
Net fair value changes in cash flow hedge	1,506	2,126	1,371	1,142
Currency translation differences	(134,252)	240,494	(164,076)	352,601
Income tax relating to components of other comprehensive income	16,502	86,103	12,745	62,428
Other comprehensive (loss)/income for the financial period, net of tax	(197,484)	(56,152)	(212,915)	135,771
Total comprehensive income for the financial period, net of tax	552,303	607,591	1,226,959	1,382,874
Attributable to:				
Owners of the parent	362,314	408,387	806,665	922,312
Non-controlling interests	189,989	199,204	420,294	460,562
	552,303	607,591	1,226,959	1,382,874

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

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

	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	23,258	7,721
Deposits and placements with banks and other financial institutions	3,330	8,400
Other receivables	5,034	39,221
Tax recoverable	-	1,685
Deferred tax assets	61	36
Investment in subsidiary companies	17,305,823	16,909,723
Property and equipment	1,119	1,418
Intangible assets	10	13
<b>Total Assets</b>	<b><u>17,338,635</u></b>	<b><u>16,968,217</u></b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	529	874
Payables and other liabilities	12,576	9,489
Provision for taxation	254	-
Multi-currency Additional Tier -1 capital securities	400,628	-
Borrowings	1,242,486	1,526,222
<b>Total Liabilities</b>	<b><u>1,656,473</u></b>	<b><u>1,536,585</u></b>
<b><u>Financed by:</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	254,991	254,991
Retained profits	13,160,166	12,909,636
Treasury shares for ESOS	(3)	(3)
<b>Total Equity</b>	<b><u>15,682,162</u></b>	<b><u>15,431,632</u></b>
<b>Total Liabilities and Equity</b>	<b><u>17,338,635</u></b>	<b><u>16,968,217</u></b>
<b>Commitment and Contingencies</b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2017	quarter ended 31/12/2016	to date 31/12/2017	to date 31/12/2016
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	2,798	562	3,330	710
Interest expense	(16,310)	(15,435)	(32,083)	(32,313)
Net interest expense	(13,512)	(14,873)	(28,753)	(31,603)
Non-interest income	438,901	456,123	441,700	458,282
Net income	425,389	441,250	412,947	426,679
Overhead expenses	(5,658)	(5,647)	(11,326)	(11,230)
Profit before taxation	419,731	435,603	401,621	415,449
Taxation	(1,713)	(549)	(1,914)	(807)
Net profit for the financial period	418,018	435,054	399,707	414,642
Earnings per share - basic (sen)	36.4	37.9	34.8	36.1
Earnings per share - fully diluted (sen)	36.4	37.9	34.8	36.1

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

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2017	quarter ended 31/12/2016	to date 31/12/2017	to date 31/12/2016
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	418,018	435,054	399,707	414,642
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	418,018	435,054	399,707	414,642

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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
<b>THE GROUP</b>														
At 1 July 2017	2,267,008	-	-	134,957	29,429	259,635	(703)	680,987	745,858	12,527,478	(35,712)	16,608,937	8,423,576	25,032,513
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	950,595	-	950,595	489,279	1,439,874
Currency translation differences	-	-	-	-	-	-	-	-	(110,849)	-	-	(110,849)	(53,227)	(164,076)
Share of other comprehensive income of associates	-	-	-	-	-	1,037	-	-	-	-	-	1,037	181	1,218
Net fair value changes in financial investments	-	-	-	-	-	(34,801)	-	-	-	-	-	(34,801)	(16,297)	(51,098)
available-for-sale, net of tax	-	-	-	-	-	(34,801)	-	-	-	-	-	(34,801)	(16,297)	(51,098)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	683	-	-	-	-	683	358	1,041
Total comprehensive income/(loss)	-	-	-	-	-	(33,764)	683	-	(110,849)	950,595	-	806,665	420,294	1,226,959
<u>Transaction with owners</u>														
Transfer to regulatory reserve	-	-	-	-	-	-	-	(2,213)	-	2,213	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,597)	-	(2,597)	2,597	-
Dividends paid	-	-	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(243,330)	(243,330)
Option charge arising from ESS granted	-	-	-	-	5,652	-	-	-	-	-	-	5,652	-	5,652
Transfer to other capital reserve	-	-	-	4	-	-	-	-	-	(4)	-	-	-	-
<b>At 31 December 2017</b>	<b>2,267,008</b>	<b>-</b>	<b>-</b>	<b>134,961</b>	<b>35,081</b>	<b>225,871</b>	<b>(20)</b>	<b>678,774</b>	<b>635,009</b>	<b>13,328,508</b>	<b>(35,712)</b>	<b>17,269,480</b>	<b>8,603,137</b>	<b>25,872,617</b>
At 1 July 2016	1,147,517	1,119,491	3,310,501	134,870	10,205	237,252	(1,129)	602,335	587,368	8,228,437	(35,712)	15,341,135	7,836,021	23,177,156
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	829,225	-	829,225	417,878	1,247,103
Currency translation differences	-	-	-	-	-	-	-	-	237,290	-	-	237,290	115,311	352,601
Share of other comprehensive loss of associates	-	-	-	-	-	(5,320)	-	-	-	-	-	(5,320)	(1,496)	(6,816)
Net fair value changes in financial investments	-	-	-	-	-	(139,452)	-	-	-	-	-	(139,452)	(71,429)	(210,881)
available-for-sale, net of tax	-	-	-	-	-	(139,452)	-	-	-	-	-	(139,452)	(71,429)	(210,881)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	569	-	-	-	-	569	298	867
Total comprehensive income/(loss)	-	-	-	-	-	(144,772)	569	-	237,290	829,225	-	922,312	460,562	1,382,874
<u>Transaction with owners</u>														
Transfer to statutory reserves	-	-	28,800	-	-	-	-	-	-	(28,800)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	53,417	-	(53,417)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(214,340)	(214,340)
Option charge arising from ESOS	-	-	-	-	6,499	-	-	-	-	-	-	6,499	-	6,499
<b>At 31 December 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>3,339,301</b>	<b>134,870</b>	<b>16,704</b>	<b>92,480</b>	<b>(560)</b>	<b>655,752</b>	<b>824,658</b>	<b>8,826,268</b>	<b>(35,712)</b>	<b>16,120,769</b>	<b>8,082,243</b>	<b>24,203,012</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM667,529,000 (31 December 2016: RM644,507,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 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 2017.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

<b><u>THE COMPANY</u></b>	<b>Share capital RM '000</b>	<b>Share premium RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total equity RM '000</b>
At 1 July 2017	2,267,008	-	254,991	12,909,636	(3)	15,431,632
Net profit for the financial period	-	-	-	399,707	-	399,707
Dividend paid	-	-	-	(149,177)	-	(149,177)
<b>At 31 December 2017</b>	<b>2,267,008</b>	<b>-</b>	<b>254,991</b>	<b>13,160,166</b>	<b>(3)</b>	<b>15,682,162</b>
At 1 July 2016	1,147,517	1,119,491	254,991	12,764,322	(3)	15,286,318
Net profit for the financial period	-	-	-	414,642	-	414,642
Dividend paid	-	-	-	(149,177)	-	(149,177)
<b>At 31 December 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>254,991</b>	<b>13,029,787</b>	<b>(3)</b>	<b>15,551,783</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation	1,765,189	1,558,008	401,621	415,449
Adjustment for non-cash items	(314,598)	(154,481)	(407,525)	(424,694)
Operating profit before working capital changes	1,450,591	1,403,527	(5,904)	(9,245)
Income tax paid	(250,370)	(245,655)	-	(700)
Interest received	3,330	710	3,330	710
Changes in working capital				
Net changes in operating assets	(7,167,633)	(774,809)	42,586	(93)
Net changes in operating liabilities	6,421,564	1,249,046	1,860	3,184
Net cash generated from/(used in) operating activities	457,482	1,632,819	41,872	(6,144)
<b>Cash flow from investing activities</b>				
Net purchases of financial investments available-for-sale	(3,170,118)	(2,671,771)	-	-
Net purchases of financial investments held-to-maturity	277,245	(1,448,924)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	591,671	516,331	-	-
Purchase of intangible assets	(4,788)	(9,003)	-	(1)
Net purchase of property and equipment	(68,927)	(81,190)	(5)	(10)
Proceeds from disposal of property and equipment	2,117	3,501	-	-
Dividends received from other investments	160,663	148,093	-	-
Dividends received from subsidiaries	-	-	436,241	456,106
Dividends received from associated companies	-	88,634	-	-
Dividends received from joint ventures companies	3,563	3,428	-	-
Subscription of Additional Tier 1 capital securities in subsidiary company	-	-	(400,000)	-
Proceeds from redemption of redeemable preference shares	-	-	3,900	3,501
Net cash (used in)/generated from investing activities	(2,208,574)	(3,450,901)	40,136	459,596
<b>Cash flow from financing activities</b>				
Dividends paid to equity holders of the Company	(149,177)	(149,177)	(149,177)	(149,177)
Dividends paid to non-controlling interests	(243,330)	(214,340)	-	-
(Repayment)/Drawdown of revolving credit	(134,000)	60,000	(134,000)	60,000
Redemption of medium term notes and commercial paper	(150,000)	(450,000)	(150,000)	(500,000)
(Repayment)/Drawdown of term loans	-	(218,552)	-	170,000
Proceeds from issuance of Additional Tier 1 capital securities	400,000	-	400,000	-
Interest paid on subordinated obligations	(58,402)	(58,116)	-	-
Interest paid on borrowings	(27,830)	(46,395)	(29,964)	(32,587)
Interest paid on innovative Tier 1 capital securities	(18,156)	(17,035)	-	-
Interest expense on recourse obligations on loans sold to Cagamas	(3,787)	-	-	-
Net cash used in financing activities	(384,682)	(1,093,615)	(63,141)	(451,764)
<b>Changes in cash and cash equivalents</b>	<b>(2,135,774)</b>	<b>(2,911,697)</b>	<b>18,867</b>	<b>1,688</b>
<b>Effect of change in foreign exchange rate</b>	<b>(150,502)</b>	<b>334,392</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>12,772,343</b>	<b>10,528,517</b>	<b>6,821</b>	<b>8,720</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>10,486,067</b>	<b>7,951,212</b>	<b>25,688</b>	<b>10,408</b>
<b>Analysis of cash and cash equivalent</b>				
Cash and short terms funds	11,591,363	7,499,829	23,258	10,408
Deposits and placements with banks and other financial institutions	11,289,690	2,709,033	3,330	9,300
	22,881,053	10,208,862	26,588	19,708
Less: Deposits and placements with banks and other financial institutions with original maturity of more than three months and restricted cash	(12,394,986)	(2,257,650)	(900)	(9,300)
	<b>10,486,067</b>	<b>7,951,212</b>	<b>25,688</b>	<b>10,408</b>

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



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

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 31 December 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 2017. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2017.

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

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

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

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

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

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

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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**6. Issuance and repayment of debt and equity securities**

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

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

In December 2017, the Group has granted up to 20,450,000 HLFG shares at an exercise price of RM17.12 to eligible executives of HLFG and its subsidiary pursuant to the Company's Executive Share Scheme.

The options granted are subject to the achievement of certain performance criteria by the option holders over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The achievement of the performance targets and the numbers of shares (if any) to be vested shall be determined following the end of respective performance periods. The vested options for each performance period are exercisable in three tranches over a period of 6 - 30 months from the respective vesting dates.

As at 31 December 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 December 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 December 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.

b) Issuance of Multi-currency Additional Tier 1 capital securities

On 30 November 2017, the Company issued RM400 million nominal value of Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400 million Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company.

**7. Dividends paid**

Single-tier interim dividend of 13.0 sen per share amounting to RM149.2 million was paid on 28 December 2017.

**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 and takaful business
Other operations	Investment holding and provision of management services

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2017</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the period ended</b>						
External revenue	2,399,824	96,190	175,550	(26,797)	-	2,644,767
Intersegment revenue	7,362	2,016	2,413	444,516	(456,307)	-
	<u>2,407,186</u>	<u>98,206</u>	<u>177,963</u>	<u>417,719</u>	<u>(456,307)</u>	<u>2,644,767</u>
<b>Results for the period ended</b>						
Segment results	1,330,866	37,368	130,047	405,544	(443,656)	1,460,169
Share of results of associated companies						295,525
Share of results of joint ventures						9,495
Profit before taxation						<u>1,765,189</u>
Taxation						(325,315)
Net profit for the financial period						<u>1,439,874</u>
Non-controlling interests						(489,279)
Profit attributable to owners of the parent						<u><u>950,595</u></u>
<b>Other information</b>						
Segment assets	202,151,362	4,270,182	19,316,675	17,562,839	(15,969,087)	<u><u>227,331,971</u></u>
Segment liabilities	178,954,277	3,531,355	16,601,171	1,658,113	714,438	<u><u>201,459,354</u></u>

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**8. Segmental reporting (continued)**

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

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**9. Financial assets held-for-trading**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Malaysian Government securities	96,694	475,794
Negotiable instruments of deposit	5,996,387	5,177,899
Bank Negara Malaysia bills	16,560	-
Malaysian Government investment certificates	1,203,134	715,133
Cagamas bonds	-	1,013
Other government securities	557,395	557,649
	<u>7,870,170</u>	<u>6,927,488</u>
Quoted securities:		
Shares in Malaysia	821,017	743,504
Shares outside Malaysia	112,393	71,073
Foreign currency bonds in Malaysia	56,716	195,592
Foreign currency bonds outside Malaysia	58,480	62,860
Unit trust investments	407,073	332,260
	<u>1,455,679</u>	<u>1,405,289</u>
Unquoted securities:		
Foreign currency bonds outside Malaysia	-	53,087
Malaysia Government sukuk	-	191,394
Corporate bonds and sukuk	1,006,816	876,179
	<u>1,006,816</u>	<u>1,120,660</u>
Total financial assets held-for-trading	<u>10,332,665</u>	<u>9,453,437</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Malaysian Government securities	1,145,294	1,367,665
Malaysian Government investment certificates	5,037,986	4,446,014
Khazanah bonds	579,798	406,904
Cagamas bonds	1,346,069	1,458,370
Other government securities	4,276,865	3,284,010
	<u>12,386,012</u>	<u>10,962,963</u>
Quoted securities:		
Shares in Malaysia	1,615,041	1,504,150
Shares outside Malaysia	106,869	114,374
Foreign currency bonds in Malaysia	3,145,205	3,056,104
Foreign currency bonds outside Malaysia	1,502,310	1,818,131
Investment-linked funds	300	300
Unit trust investments	681,739	470,603
	<u>7,051,464</u>	<u>6,963,662</u>
Unquoted securities :		
Shares in Malaysia	457,075	457,132
Shares outside Malaysia	152,357	149,361
Foreign currency bonds in Malaysia	1,211,055	294,300
Foreign currency bonds outside Malaysia	914,860	862,710
Malaysian Government sukuk	2,182,701	2,040,793
Corporate bonds and sukuk	14,066,554	13,432,441
	<u>18,984,602</u>	<u>17,236,737</u>
Total financial investments available-for-sale	<u><u>38,422,078</u></u>	<u><u>35,163,362</u></u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	53,802	57,367
Malaysian Government securities	2,625,026	2,764,747
Malaysian Government investment certificates	8,963,168	9,482,704
Other Government securities	471,429	484,230
	<u>12,113,425</u>	<u>12,789,048</u>
Unquoted securities:		
Loan stocks	48	48
Malaysian Government sukuk	814,591	814,591
Corporate bonds and sukuk	1,157,527	697,481
Foreign currency bonds outside Malaysia	186,128	247,796
Redeemable preference shares	32,066	32,066
	<u>2,190,360</u>	<u>1,791,982</u>
Total financial investments held-to-maturity	<u><u>14,303,785</u></u>	<u><u>14,581,030</u></u>

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**12. Loans, advances and financing**

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Overdrafts	3,630,333	3,776,243
Term loans:		
- Housing and shop loans/financing	68,152,045	65,998,057
- Syndicated term loan/financing	9,407,204	9,225,253
- Hire purchase receivables	17,582,801	18,159,364
- Other term loans/financing	7,649,066	8,135,246
Credit/charge card receivables	3,911,225	3,997,701
Bills receivables	1,119,827	1,081,635
Trust receipts	312,641	314,042
Claims on customers under acceptance credits	7,201,215	7,451,325
Revolving credits	6,221,512	6,611,688
Policy and premium loans	573,213	584,546
Staff loans/financing	145,794	146,737
Other loans/financing	476,384	486,255
Gross loans, advances and financing	126,383,260	125,968,092
Fair value changes arising from fair value hedges	(726)	(34)
Unamortised fair value changes arising from terminated fair value hedges	(18)	(36)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(838,167)	(830,407)
- individual assessment allowance	(330,318)	(325,536)
Total net loans, advances and financing	125,214,031	124,812,079

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM180,268,000 (2017: RM184,571,000).

**(a) By type of customer**

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Domestic non-bank financial institutions	518,758	651,907
Domestic business enterprises		
- small and medium enterprises	20,776,892	20,377,345
- others	14,387,626	15,491,115
Government and statutory bodies	23,653	29,072
Individuals	83,427,402	82,063,090
Other domestic entities	274,696	79,052
Foreign entities	6,974,233	7,276,511
Gross loans, advances and financing	126,383,260	125,968,092

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

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Fixed rate		
- Housing and shop loans/financing	4,462,017	4,753,971
- Hire purchase receivables	17,215,398	17,747,828
- Other fixed rate loan/financing	7,069,677	7,513,604
Variable rate		
- Base lending rate plus	81,007,514	78,636,505
- Cost plus	16,227,695	16,918,373
- Other variables rates	400,959	397,811
Gross loans, advances and financing	126,383,260	125,968,092

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

**(c) By economic purpose**

	<b>The Group</b>	
	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
Purchase of securities	703,159	700,958
Purchase of transport vehicles	17,311,415	17,583,693
Purchase of landed properties		
- residential	59,118,452	56,861,181
- non-residential	15,676,829	15,774,407
Purchase of fixed assets (excluding landed properties)	416,711	379,050
Personal use	3,339,000	3,563,125
Credit card	3,911,225	3,997,701
Construction	1,395,461	1,238,539
Mergers and acquisition	179,880	201,182
Working capital	22,426,503	23,216,086
Other purpose	1,904,625	2,452,170
Gross loans, advances and financing	<u>126,383,260</u>	<u>125,968,092</u>

**(d) By geographical distribution**

	<b>The Group</b>	
	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
Malaysia	119,938,124	119,382,844
Singapore	5,161,298	5,379,133
Vietnam	400,960	397,813
Cambodia	882,878	808,302
Gross loans, advances and financing	<u>126,383,260</u>	<u>125,968,092</u>

**(e) By residual contractual maturity**

	<b>The Group</b>	
	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
Within one year	26,339,123	27,380,609
One year to less than three years	5,866,136	5,492,203
Three years to less than five years	9,329,090	10,265,641
Five years and more	84,848,911	82,829,639
Gross loans, advances and financing	<u>126,383,260</u>	<u>125,968,092</u>



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

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

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Purchase of securities	1,413	2,196
Purchase of transport vehicles	148,028	142,754
Purchase of landed properties		
- residential	324,723	307,234
- non-residential	141,778	133,296
Purchase of fixed assets (excluding landed properties)	1,403	3,332
Personal use	49,418	44,066
Credit card	40,565	48,005
Construction	4,938	7,209
Working capital	501,114	510,724
Other purpose	11,603	16,201
Gross impaired loans, advances and financing	1,224,983	1,215,017

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

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Malaysia	1,211,791	1,208,932
Singapore	8,343	471
Vietnam	4,191	5,098
Cambodia	658	516
Gross impaired loans, advances and financing	1,224,983	1,215,017

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

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
As at beginning of the financial period/year	1,215,017	957,153
Impaired during the financial period/year	807,521	1,824,594
Performing during the financial period/year	(459,116)	(821,519)
Amount written back in respect of recoveries	(176,858)	(336,403)
Amount written off	(157,809)	(407,656)
Exchange differences	(3,772)	(1,152)
As at end of the financial period/year	1,224,983	1,215,017
Gross impaired loan as a % of gross loans, advances and financing	1.0%	1.0%

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

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	830,407	856,971
Net allowance made during the period/year	156,212	282,483
Amount transferred to individual assessment allowance	-	(729)
Amount written off	(140,826)	(298,120)
Unwinding income	(7,141)	(10,732)
Exchange differences	(485)	534
As at end of the financial period/year	<u>838,167</u>	<u>830,407</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period/year	325,536	289,844
Net allowance made during the period/year	39,472	162,679
Amount transferred from collective assessment allowance	-	729
Amount written back in respect of recoveries	(23,375)	(46,433)
Amount written off	(3,504)	(72,260)
Unwinding income	(4,280)	(8,741)
Exchange differences	(3,531)	(282)
As at end of the financial period/year	<u>330,318</u>	<u>325,536</u>

**13. Other receivables**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Investment properties	2,030	2,030
Foreclosed properties	46	46
Sundry debtors and other prepayments	195,720	181,987
Treasury related receivable	54,743	457,935
Fee income receivable	3,650	16,076
Collateral pledged for derivative transactions	531,366	676,156
Other receivables	156,476	195,555
	<u>944,031</u>	<u>1,529,785</u>
<b>The Company</b>		
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Amount due from subsidiary companies	559	38,646
Sundry debtors and other prepayments	4,246	312
Other receivables	229	263
	<u>5,034</u>	<u>39,221</u>

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**14. Investment in joint venture**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Unquoted shares outside Malaysia, at cost	24,657	24,657
Cumulative share of results, net of dividend received	22,789	20,882
Exchange fluctuation reserve	7,817	8,842
	<u>55,263</u>	<u>54,381</u>
Equity interest held for sale	116,665	114,804
	<u>171,928</u>	<u>169,185</u>

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

In March 2017, the HLB's Board of Directors has approved the divestment of 37% of HLB's stake through non-subscription of the issuance of new share capital by JV Co and sell down the original share capital held by HLB to new strategic investors through an exercise via Southwest United Equity Exchange. The completion of the sale is currently pending the China Banking Regulatory Commission approval. Upon the divestment exercise, the retained interest of 12% of the expanded capital will be recognised as a financial asset in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

Investment in joint venture classified as asset held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as asset held for sale amounted to RM116,665,000 for the financial period ended 31 December 2017 (30 June 2017: RM114,804,000).

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

**15. Deposits from customers**

**(a) By type of deposits**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Fixed deposits	88,723,712	88,216,001
Short-term placement	13,760,460	18,312,314
Negotiable instruments of deposits	6,848,894	5,713,184
	<u>109,333,066</u>	<u>112,241,499</u>
Demand deposits	23,755,844	21,186,820
Savings deposits	17,404,122	17,531,603
Others	959,359	1,017,170
Gross deposits from customers	<u>151,452,391</u>	<u>151,977,092</u>
<b>At fair value through profit and loss</b>		
Callable range accrual notes	2,709,855	2,442,012
Callable inverse floater, at cost	247,985	155,851
Fair value changes arising from designation at fair value through profit or loss*	(142,781)	(116,938)
Total net deposits from customers	<u>154,267,450</u>	<u>154,458,017</u>

\*Note:

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

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

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15. Deposits from customers

(b) By type of customers

	The Group	
	As at	As at
	31/12/2017	30/06/2017
	RM '000	RM '000
Government and statutory bodies	5,638,796	3,395,343
Business enterprises	61,552,865	62,087,439
Individuals	84,305,900	86,196,444
Others	2,769,889	2,778,791
Gross deposits from customers	<u>154,267,450</u>	<u>154,458,017</u>

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

	The Group	
	As at	As at
	31/12/2017	30/06/2017
	RM '000	RM '000
Due within six months	82,648,657	93,035,057
More than six months to one year	23,193,666	17,382,345
More than one year to five years	3,490,743	1,824,097
	<u>109,333,066</u>	<u>112,241,499</u>

16. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/12/2017	30/06/2017
	RM '000	RM '000
Licensed banks and investment banks	7,991,168	6,312,662
Other financial institutions	1,505,489	1,421,763
	<u>9,496,657</u>	<u>7,734,425</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>9,496,657</u>	<u>7,734,425</u>

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**17. Payables and other liabilities**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade payables	2,493,846	2,333,872
Loan advance payment	3,106,766	2,987,067
Post employment benefits obligations - defined contribution plan	1,837	1,819
Treasury and cheque clearing	78,104	129,556
Treasury related payables	161,913	235,295
Sundry creditors and accruals	327,417	332,197
Provision for bonus and staff related expenses	277,982	207,627
Financial liabilities due to third party investors *	3,040,705	1,773,647
Others	1,014,896	529,955
	<u>10,503,466</u>	<u>8,531,035</u>

  

	<b>The Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Sundry creditors and accruals	1,341	1,276
Provision for bonus and staff related expenses	11,190	8,169
Post employment benefits obligations - defined contribution plan	45	44
	<u>12,576</u>	<u>9,489</u>

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

**18. Interest income**

	<b>The Group</b>		<b>The Group</b>	
	<b>Current</b>	<b>Last year</b>	<b>Current year</b>	<b>Last year</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>to date</b>	<b>to date</b>
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Loans, advances and financing	1,161,948	1,168,629	2,325,994	2,334,303
Money at call and deposit placements				
with financial institutions	46,812	23,893	90,085	53,508
Securities purchased under resale agreements	1,090	10,908	2,038	35,279
Financial assets held-for-trading	109,532	109,264	214,224	218,047
Financial investments available-for-sale	203,267	174,154	388,071	331,360
Financial investments held-to-maturity	99,468	90,888	203,600	184,971
Others	6,132	3,697	13,379	7,792
	<u>1,628,249</u>	<u>1,581,433</u>	<u>3,237,391</u>	<u>3,165,260</u>

  

Of which:				
Interest income earned on impaired loans, advances and financing	<u>13,024</u>	<u>5,930</u>	<u>27,082</u>	<u>12,467</u>

  

	<b>The Company</b>		<b>The Company</b>	
	<b>Current</b>	<b>Last year</b>	<b>Current year</b>	<b>Last year</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>to date</b>	<b>to date</b>
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Money at call and deposit placements				
with financial institutions	898	562	1,070	710
Others	1,900	-	2,260	-
	<u>2,798</u>	<u>562</u>	<u>3,330</u>	<u>710</u>

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**19. Interest expense**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2017	quarter ended 31/12/2016	to date 31/12/2017	to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	50,168	26,440	90,749	51,083
Deposits from customers	690,889	712,609	1,381,089	1,435,233
Short term placements	81,276	67,811	169,833	150,817
Borrowings	14,307	25,656	29,938	52,109
Subordinated obligations	29,552	29,616	59,120	59,258
Recourse obligation on loans sold to Cagamas	1,916	1,916	3,832	2,957
Innovative Tier 1 capital securities	9,488	8,773	18,927	17,512
Multi-currency Additional Tier-1 Capital Securities	845	-	845	-
Others	3,153	5,192	7,860	10,599
	<u>881,594</u>	<u>878,013</u>	<u>1,762,193</u>	<u>1,779,568</u>

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2017	quarter ended 31/12/2016	to date 31/12/2017	to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Borrowings	14,307	15,282	29,938	32,151
Multi-currency Additional Tier-1 Capital Securities	1,855	-	1,855	-
Others	148	153	290	162
	<u>16,310</u>	<u>15,435</u>	<u>32,083</u>	<u>32,313</u>

**20. Net income from Islamic Banking business**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2017	quarter ended 31/12/2016	to date 31/12/2017	to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Income derived from investment of depositors' funds and others	311,504	267,592	617,654	532,732
of which Finance income	312,937	268,638	613,500	528,264
of which other operating income	(1,433)	(1,046)	4,154	4,468
Income derived from investment of shareholders' funds	37,834	38,116	73,005	73,821
of which Finance income	27,212	23,363	53,348	45,938
of which other operating income	10,622	14,753	19,657	27,883
Income attributable to depositors	<u>(192,505)</u>	<u>(167,298)</u>	<u>(374,016)</u>	<u>(338,542)</u>
	<u>156,833</u>	<u>138,410</u>	<u>316,643</u>	<u>268,011</u>

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**21. Non-Interest Income**

	The Group		The Group	
	Current quarter ended 31/12/2017 RM '000	Last year quarter ended 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Last year to date 31/12/2016 RM '000
Net income from insurance business	70,176	122,020	128,511	165,496
Net brokerage and commissions from stockbroking business	15,984	13,717	30,622	28,790
Net unit trust and asset management income	8,633	6,394	15,914	12,722
Fee income:				
Commissions	40,409	37,871	81,901	75,931
Service charges and fees	17,972	18,960	30,569	28,607
Guarantee fees	3,619	4,209	6,437	7,099
Credit card related fees	59,809	64,781	115,238	123,478
Corporate advisory fees	1,549	4,049	2,721	5,034
Commitment fees	8,384	8,976	16,972	17,846
Fee on loans, advances and financing	10,463	20,535	19,445	33,001
Placement fees	43	3,542	93	3,542
Arranger fees	1,232	4,296	3,315	4,896
Other fee income	29,949	20,419	54,177	34,493
	<u>173,429</u>	<u>187,638</u>	<u>330,868</u>	<u>333,927</u>
Gain/(loss) arising from sale of financial assets:				
Net gain/(loss) from sale of financial assets held-for-trading	12,710	(5,088)	27,487	20,996
Net gain/(loss) from sale of financial investments available-for-sale	36,658	(6,514)	78,748	22,341
Net gain from redemption of financial investments held-to-maturity	-	30	-	34
Net (loss)/gain from sale of derivatives financial instruments	(46,128)	22,890	(58,533)	6,705
	<u>3,240</u>	<u>11,318</u>	<u>47,702</u>	<u>50,076</u>
Gross dividend income from:				
Financial assets held-for-trading	295	108	2,709	630
Financial investments available-for-sale	82,529	75,155	157,954	147,463
	<u>82,824</u>	<u>75,263</u>	<u>160,663</u>	<u>148,093</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(5,579)	(41,055)	(9,783)	(32,340)
Derivatives financial instruments	75,575	147,567	84,035	149,786
	<u>69,996</u>	<u>106,512</u>	<u>74,252</u>	<u>117,446</u>
Amortisation of fair value changes arising from terminated fair value hedges	(271)	(5)	(445)	(26)
Net unrealised gain on fair value changes arising from fair value hedges	(35)	-	(36)	-
Other income:				
Foreign exchange gain/(loss)	32,156	(16,700)	51,949	13,674
Rental income	2,127	1,561	4,113	2,702
Gain on disposal of property and equipment (net)	1,306	26	1,761	1,114
Others	2,962	4,879	7,052	8,198
	<u>38,551</u>	<u>(10,234)</u>	<u>64,875</u>	<u>25,688</u>
Total non-interest income	<u>462,527</u>	<u>512,623</u>	<u>852,926</u>	<u>882,212</u>

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

	The Company		The Company	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	2,332	(1,022)	5,114	1,610
Net loss from sale of derivatives financial instruments	-	-	-	(80)
Gross dividend income from:				
Subsidiary companies	436,241	456,106	436,241	456,106
Net unrealised gain on revaluation of:				
Derivatives financial instruments	328	1,024	345	631
Other income	-	15	-	15
Total non-interest income	438,901	456,123	441,700	458,282

**22. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	297,504	289,877	577,587	565,927
- Medical expenses	8,089	6,637	15,704	12,335
- Training and convention expenses	7,662	8,698	13,385	17,502
- Staff welfare	2,547	2,755	4,525	6,469
- Others	1,933	11,408	14,332	22,760
	317,735	319,375	625,533	624,993
<u>Establishment costs</u>				
- Depreciation of property and equipment	28,693	23,384	57,026	47,642
- Amortisation of intangible assets	20,692	20,222	41,464	40,393
- Rental of premises	22,444	23,073	44,185	45,738
- Information technology expenses	42,710	34,372	85,433	73,756
- Security services	4,791	7,653	12,814	14,196
- Electricity, water and sewerage	7,024	6,055	14,043	12,392
- Hire of plant and machinery	3,128	3,757	6,343	7,162
- Others	7,665	7,563	16,983	14,214
	137,147	126,079	278,291	255,493
<u>Marketing expenses</u>				
- Advertisement and publicity	9,750	9,342	20,066	15,067
- Credit card related fees	31,219	28,752	56,536	57,045
- Others	6,415	5,228	12,265	10,106
	47,384	43,322	88,867	82,218
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,561	4,180	9,092	8,759
- Stationery and printing expenses	3,680	5,020	7,076	8,516
- Professional fees	19,542	18,681	42,103	33,620
- Insurance fees	11,306	10,156	21,340	19,674
- Credit card fees	11,110	8,994	20,745	18,127
- Travelling and transport expenses	1,052	996	2,012	2,132
- Registration and license fees	2,528	2,438	5,090	4,967
- Brokerage and commission	1,976	1,443	3,440	3,058
- Stamp, postage and courier	3,554	5,105	7,996	9,809
- Others	10,762	14,773	18,998	27,216
	70,071	71,786	137,892	135,878
	572,337	560,562	1,130,583	1,098,582



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**22. Overhead expenses (continued)**

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,981	3,999	7,927	7,885
- Medical expenses	33	7	60	24
- Training and convention expenses	13	3	15	5
- Staff welfare	132	129	262	254
- Others	161	160	337	319
	<u>4,320</u>	<u>4,298</u>	<u>8,601</u>	<u>8,487</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	152	159	304	319
- Amortisation of intangible assets	(7)	27	4	54
- Rental of premises	158	190	348	380
- Electricity, water and sewerage	11	12	28	22
- Hire of machinery	1	9	5	14
- Others	49	57	99	97
	<u>364</u>	<u>454</u>	<u>788</u>	<u>886</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	7	15	16
- Stationery and printing expenses	13	5	21	10
- Professional fees	213	274	396	444
- Management fees	563	563	1,126	1,126
- Travelling and transport expenses	16	13	34	61
- Others	162	33	345	200
	<u>974</u>	<u>895</u>	<u>1,937</u>	<u>1,857</u>
	<u>5,658</u>	<u>5,647</u>	<u>11,326</u>	<u>11,230</u>

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

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM '000	RM '000	RM '000	RM '000
Allowance for impairment losses				
on loans, advances and financing:				
- Individual assessment allowance	14,573	10,635	16,097	18,027
- Collective assessment allowance	62,945	69,905	156,212	140,127
Allowance for/(Writeback of) impairment losses				
on clients' and brokers' balances:				
- Individual assessment allowance	(129)	174	(105)	211
- Collective assessment allowance	23	5	24	3
Allowance for impairment losses on other assets				
- Individual assessment allowance/(writeback)	28	174	(48)	174
Impaired loans and financing:				
- written off	5,288	5,432	10,579	10,683
- recovered	(72,305)	(57,778)	(128,653)	(117,637)
	<u>10,423</u>	<u>28,547</u>	<u>54,106</u>	<u>51,588</u>

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**24. Capital adequacy**

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework (Capital Component) reissued on 4 August 2017. The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total Capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CcyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CcyB rates yet.

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

**Basel III**

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2017	30/06/2017	31/12/2017	30/06/2017	31/12/2017	30/06/2017
<b>Before deducting proposed dividends</b>						
CET I capital ratio	13.351%	13.788%	12.772%	13.078%	25.064%	29.744%
Tier I capital ratio	14.056%	14.193%	13.233%	13.556%	25.064%	29.744%
Total capital ratio	16.042%	16.280%	15.575%	15.997%	29.161%	33.912%
<b>After deducting proposed dividends</b>						
CET I capital ratio	13.094%	13.286%	12.468%	12.486%	25.064%	25.398%
Tier I capital ratio	13.798%	13.691%	12.929%	12.964%	25.064%	25.398%
Total capital ratio	15.785%	15.779%	15.271%	15.405%	29.161%	29.566%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2017	30/06/2017	31/12/2017	30/06/2017	31/12/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	13,965,303	13,560,582	10,516,482	10,245,205	191,910	246,910
Other reserves	1,094,201	1,265,223	373,235	422,954	21	648
Less: Treasury shares	(733,961)	(733,961)	(733,961)	(733,961)	-	-
Less: Other intangible assets	(178,749)	(213,323)	(161,322)	(194,870)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,754)	(33,796)
Less: Deferred tax assets	(899)	(4,851)	-	-	(90,153)	(90,153)
Less: Investment in subsidiary companies/ associated company/joint venture	(3,075,342)	(2,908,861)	(2,209,880)	(2,148,516)	(160)	(160)
Total CET I capital	16,978,304	16,872,560	13,752,070	13,558,328	321,814	376,399
<b>Additional Tier I capital</b>						
Multi-currency Additional Tier-1 capital securities	399,327	-	399,327	-	-	-
Innovative Tier I capital securities	496,662	495,778	496,662	495,778	-	-
Total additional Tier I capital	895,989	495,778	895,989	495,778	-	-
Total Tier I capital	17,874,293	17,368,338	14,648,059	14,054,106	321,814	376,399

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**24. Capital adequacy (continued)**

**Basel III**

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2017	30/06/2017	31/12/2017	30/06/2017	31/12/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Collective assessment allowance ^ and regulatory reserves #	1,294,938	1,281,686	1,074,657	1,067,705	2,647	2,783
Subordinated obligations	1,999,832	1,999,723	1,999,832	1,999,723	50,000	50,000
Tier II capital before regulatory adjustments	3,294,770	3,281,409	3,074,489	3,067,428	52,647	52,783
Less: Investment in subsidiary companies/ associated company/joint venture	(768,836)	(727,215)	(552,470)	(537,129)	(40)	(40)
Total Tier II capital	2,525,934	2,554,194	2,522,019	2,530,299	52,607	52,743
<b>Total capital</b>	<b>20,400,227</b>	<b>19,922,532</b>	<b>17,170,078</b>	<b>16,584,405</b>	<b>374,421</b>	<b>429,142</b>

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

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM665,084,000 (2017: RM667,238,000), Hong Leong Bank Berhad of RM573,295,000 (2017: RM571,678,000) and Hong Leong Investment Bank Berhad of RM2,444,000 (2017: RM2,504,000) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2017	30/06/2017	31/12/2017	30/06/2017	31/12/2017	30/06/2017
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	116,231,457	111,299,987	97,505,922	93,397,418	449,215	461,963
Market risk	2,770,970	3,115,525	3,091,767	3,340,119	545,333	517,433
Operational risk	8,165,274	7,958,340	7,073,295	6,934,552	289,423	286,064
Total RWA	127,167,701	122,373,852	107,670,984	103,672,089	1,283,971	1,265,460

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

	Hong Leong Islamic Bank	
	31/12/2017	30/06/2017
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.931%	10.622%
Tier I capital ratio	13.043%	10.622%
Total capital ratio	16.268%	13.946%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.931%	10.622%
Tier I capital ratio	13.043%	10.622%
Total capital ratio	16.268%	13.946%

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**25. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 31 December 2017 except for the followings:

- (a) On 12 February 2018, HLFG announced that it had placed its wholly-owned subsidiaries, Hong Leong Equities Sdn Bhd ("HLE") and HLFG Assets Sdn Bhd ("HLFGA"), under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. HLE is an investment holding company and HLFGA is currently dormant. There are no future plans for the subsidiaries.

**26. Changes in composition of the Group**

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

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

**27. Related party transactions**

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

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**28. Commitments and contingencies**

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

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

	<b>The Group</b>	
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	81,688	82,785
Certain transaction related contingent items	1,298,969	1,391,111
Short-term self liquidating trade related contingencies	984,385	780,216
Obligations under underwriting agreement	-	130,000
Irrevocable commitments to extend credit:		
- less than one year	16,228,137	16,098,253
- more than one year	13,398,158	13,257,147
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	601,037	661,322
Foreign exchange related contracts		
- less than one year	40,326,155	37,699,553
- one year to less than five years	3,177,566	3,758,574
- five years and above	1,075,327	1,260,525
Interest rate related contracts		
- less than one year	71,308,016	45,167,380
- one year to less than five years	39,421,735	37,794,681
- five years and above	5,245,404	5,807,786
Equity related contracts		
- less than one year	332,994	155,471
- one year to less than five years	303,622	286,187
Unutilised credit card lines	6,989,486	7,001,256
<b>Total</b>	<b><u>200,772,679</u></b>	<b><u>171,332,247</u></b>

	<b>The Company</b>	
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest rate swaps		
- one year to less than five years	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

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

The size of the fund was above the minimum of RM1 million as at 31 December 2017 (30 June 2017: RM1 million).

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**29. Fair value of financial instruments**

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

Determination of fair value and fair value hierarchy (continued)

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

**The Group**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2017</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	7,870,170	-	7,870,170
- Quoted securities	1,455,679	-	-	1,455,679
- Unquoted securities	-	1,006,816	-	1,006,816
Financial investments available-for-sale				
- Money market instruments	-	12,386,012	-	12,386,012
- Quoted securities	7,051,464	-	-	7,051,464
- Unquoted securities	-	18,527,527	457,075	18,984,602
Derivative financial instruments	4,806	827,787	15,797	848,390
	<u>8,511,949</u>	<u>40,618,312</u>	<u>472,872</u>	<u>49,603,133</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	1,564	1,703,267	15,797	1,720,628
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,815,059	-	2,815,059
	<u>1,564</u>	<u>4,518,326</u>	<u>15,797</u>	<u>4,535,687</u>
<b>30 June 2017</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	6,927,488	-	6,927,488
- Quoted securities	1,405,289	-	-	1,405,289
- Unquoted securities	-	1,120,660	-	1,120,660
Financial investments available-for-sale				
- Money market instruments	-	10,962,963	-	10,962,963
- Quoted securities	6,963,662	-	-	6,963,662
- Unquoted securities	-	16,779,585	457,152	17,236,737
Derivative financial instruments	18	969,018	8,568	977,604
	<u>8,368,969</u>	<u>36,759,714</u>	<u>465,720</u>	<u>45,594,403</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	1,228	1,469,768	8,568	1,479,564
Financial liabilities designated at fair value				
- Callable range accrual notes	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,950,693</u>	<u>8,568</u>	<u>3,960,489</u>

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

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

Determination of fair value and fair value hierarchy (continued)

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

**The Company**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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**31 December 2017**

**Recurring fair value measurements**

**Financial liabilities**

Derivative financial instruments	-	529	-	529
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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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**30 June 2017**

**Recurring fair value measurements**

**Financial liabilities**

Derivative financial instruments	-	874	-	874
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Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>			
<b>31 December 2017</b>			
As at beginning of the financial period	457,152	8,568	8,568
Fair value changes recognised in statements of income	-	1,609	1,609
Net fair value changes recognised in other comprehensive income	(57)	-	-
Purchases	-	5,746	5,746
Disposal	(20)	-	-
Settlements	-	(126)	(126)
As at end of the financial period	457,075	15,797	15,797
Fair value changes recognised in statement of income relating to assets/liability held on 31 December 2017	-	1,609	1,609

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>			
<b>30 June 2017</b>			
As at beginning of the financial period	429,720	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchase	-	7,582	7,582
Disposal	(53)	-	-
Settlements	-	(14,306)	(14,306)
Transfer out from level 3	(4,329)	-	-
As at end of the financial period	457,152	8,568	8,568
Fair value changes recognised in statement of income relating to assets/liability held on 30 June 2017	-	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	-	-



**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**Review of performance**

**1 Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM924.7 million for the current quarter ended 31 December 2017 as compared to RM832.5 million in the previous corresponding quarter, an increase of RM92.2 million or 11.1%. The increase was mainly due to higher contribution from the commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM833.1 million for the current quarter ended 31 December 2017 as compared to RM696.6 million in the previous corresponding quarter, an increase of RM136.5 million or 19.6%. The increase was mainly due to higher revenue of RM49.8 million, higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM85.0 million and lower allowance for impairment losses on loans, advances and financing of RM17.9 million. This is however offset by higher operating expenses of RM15.1 million and lower writeback of allowance for impairment losses on securities of RM1.1 million.

HLA Holdings Group recorded a profit before tax of RM91.8 million for the current quarter ended 31 December 2017 as compared to RM135.6 million in the previous corresponding quarter, a decrease of RM43.8 million or 32.3%. The decrease was mainly due lower life fund surplus of RM47.9 million and lower share of profit from associated company of RM9.4 million. This is however mitigated by higher revenue of RM6.5 million and lower operating expenses of RM7.1 million.

Hong Leong Capital Group recorded a profit before tax of RM19.0 million for the current quarter ended 31 December 2017 as compared to RM21.5 million in the previous corresponding quarter, a decrease of RM2.5 million or 11.6%. The decrease was mainly due lower contribution from the investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM1,765.2 million for the period ended 31 December 2017 as compared to RM1,558.0 million in the previous corresponding period, an increase of RM207.2 million or 13.3%. The increase was mainly due to higher contribution from the commercial banking divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,613.5 million for the period ended 31 December 2017 as compared to RM1,371.2 million in the previous corresponding period, an increase of RM242.3 million or 17.7%. The increase was due to higher revenue of RM132.2 million and higher share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM141.8 million. This was however offset by higher operating expenses of RM31.6 million.

HLA Holdings Group recorded a profit before tax of RM152.4 million for the period ended 31 December 2017 as compared to RM189.2 million in the previous corresponding period, a decrease of RM36.8 million or 19.5%. The decrease was mainly due to lower life fund surplus of RM31.9 million and lower share of profit from an associated company of RM11.6 million. This was however mitigated by higher revenue of RM3.8 million, lower allowance for impairment losses on securities of RM0.4 million and lower operating expenses of RM2.5 million.

Hong Leong Capital Group recorded a profit before tax of RM37.4 million for the period ended 31 December 2017 as compared to RM39.9 million in the previous corresponding period, a decrease of RM2.5 million or 6.3%. This was mainly due to lower contribution from the investment banking and stockbroking divisions.

HLFG's consolidated Common Equity Tier 1 capital ratio, Tier 1 capital ratio and Total capital ratio as at 31 December 2017 is 9.849%, 10.671% and 12.361% respectively. The ratios are computed in full compliance with the Capital Adequacy Framework Capital Components) issued by Bank Negara Malaysia on 4 August 2017.

**3 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM924.7 million for the current quarter ended 31 December 2017 as compared to RM840.5 million in the preceding quarter, an increase of RM84.2 million or 10.0%. The increase was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM833.1 million for the current quarter ended 31 December 2017 as compared to RM780.4 million in the preceding quarter, an increase of RM52.7 million or 6.8%. The increase was mainly due to higher revenue of RM50.0 million, lower allowance for impairment losses on loans, advances and financing of RM32.9 million and higher writeback of allowance for impairment losses on securities of RM0.5 million. This was however offset by higher operating expenses of RM8.7 million and lower share of profit from the Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM22.0 million.

HLA Holdings Group recorded a profit before tax of RM91.8 million for the current quarter ended 31 December 2017 as compared to RM60.6 million in the preceding quarter, an increase of RM31.2 million or 51.5%. The increase was mainly due to higher revenue of RM8.9 million, lower operating expenses of RM10.6 million and higher life fund surplus of RM12.4 million. This was however offset by lower share of profit from associated company of RM0.6 million and higher allowance for impairment losses on securities of RM0.1 million.

Hong Leong Capital Group recorded a profit before tax of RM19.0 million for the current quarter ended 31 December 2017 as compared to RM18.4 million in the previous corresponding period, an increase of RM0.6 million or 3.3%. This was mainly due to higher contribution from asset management divisions.

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**4 Prospects for the current year**

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

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

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

**6 Taxation**

	The Group		The Group	
	Current quarter ended 31/12/2017 RM '000	Last year quarter ended 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Last year to date 31/12/2016 RM '000
Malaysian income tax	168,672	195,510	315,499	335,821
Transfer from deferred tax	6,269	(26,759)	9,816	(24,940)
	<u>174,941</u>	<u>168,751</u>	<u>325,315</u>	<u>310,881</u>
Prior year over provision				
- Malaysia	-	-	-	24
	<u>174,941</u>	<u>168,751</u>	<u>325,315</u>	<u>310,905</u>

	The Company		The Company	
	Current quarter ended 31/12/2017 RM '000	Last year quarter ended 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Last year to date 31/12/2016 RM '000
Malaysian income tax	1,726	550	1,939	550
Transfer (to)/from deferred tax	(13)	(1)	(25)	257
	<u>1,713</u>	<u>549</u>	<u>1,914</u>	<u>807</u>

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

**7 Sale of properties/unquoted investments**

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

**8 Purchase/sale of quoted securities of the Group**

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

**9 Status of corporate proposals**

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

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**10 Borrowings**

	Note	The Group	
		As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Revolving credit	(i)	236,323	370,197
Commercial papers	(ii)	-	149,707
Medium term notes	(ii)	656,062	656,088
Term loans/bridging loan	(iii)	350,101	350,230
		<u>1,242,486</u>	<u>1,526,222</u>
Repayment of revolving credit			
- less than one year		236,323	370,197
Repayment of commercial papers			
- less than one year		-	149,707
Repayment of medium term notes			
- less than one year		151,969	-
- one to three years		250,792	402,775
- three years and above		253,301	253,313
Repayment of term loans/bridging loan			
- less than one year		350,101	350,230
- one to five years		-	-
		<u>1,242,486</u>	<u>1,526,222</u>

	Note	The Company	
		As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
Revolving credit	(i)	236,323	370,197
Commercial papers	(ii)	-	149,707
Medium term notes	(ii)	656,062	656,088
Term loans	(iii)	350,101	350,230
		<u>1,242,486</u>	<u>1,526,222</u>
Repayment of revolving credit			
- less than one year		236,323	370,197
Repayment of commercial papers			
- less than one year		-	149,707
Repayment of medium term notes			
- less than one year		151,969	-
- one to three years		250,792	402,775
- three years and above		253,301	253,313
Repayment of term loans			
- less than one year		350,101	350,230
		<u>1,242,486</u>	<u>1,526,222</u>

(i) The unsecured revolving credit facilities carried an interest rate ranging from 3.45% to 4.08% (30 June 2017: ranging from 3.40% to 3.84%) per annum and repayable within 12 months.

(ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.66% to 3.69% (30 June 2017: 3.38% to 3.75%).

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

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

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

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

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**11 Subordinated obligations**

	Note	The Group	
		As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000
Add: Interest payable		1,849	1,664
		<u>1,501,849</u>	<u>1,501,664</u>
Less: Unamortised discounts		(168)	(277)
		<u>1,501,681</u>	<u>1,501,387</u>
RM500 million Tier 2 subordinated debt, at par	(b)	500,000	500,000
Add: Interest payable		9,000	8,815
		<u>509,000</u>	<u>508,815</u>
Less: Unamortised discounts		(1,354)	(1,443)
		<u>507,646</u>	<u>507,372</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	400,000	400,000
Add: Interest payable		736	631
		<u>400,736</u>	<u>400,631</u>
Less: Unamortised discounts		(84)	(128)
		<u>400,652</u>	<u>400,503</u>
RM500 million Tier 2 subordinated notes, at par	(d)	500,000	500,000
Add: Interest payable		395	526
		<u>500,395</u>	<u>500,526</u>
Less: Unamortised discounts		(164)	(271)
		<u>500,231</u>	<u>500,255</u>
RM50 million Tier 2 subordinated notes, at par	(e)	50,000	50,000
Add: Interest payable		406	392
		<u>50,406</u>	<u>50,392</u>
Less: Unamortised discounts		(119)	(130)
		<u>50,287</u>	<u>50,262</u>
		<u>2,960,497</u>	<u>2,959,779</u>

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

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

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

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

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

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

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

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

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**11 Subordinated obligations (continued)**

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

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

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

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

**12 Innovative Tier 1 capital securities**

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,658	12,771
	512,658	512,771
Less: Unamortised discounts	(3,339)	(4,223)
Add: Fair value adjustments on completion of business combination accounting	4,324	7,075
	513,643	515,623

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

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

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

**13 Multi-currency Additional Tier 1 capital securities**

	The Group	
	As at 31/12/2017 RM '000	As at 30/06/2017 RM '000
RM400 million Multi-currency Additional Tier-1 Capital Securities at par	400,000	-
Add: Interest payable	1,834	-
	401,834	-
Less: Unamortised discounts	(518)	-
	401,316	-

- (a) On 30 November 2017, the Company issued RM400 million nominal value of Additional Tier 1 capital securities (“Capital Securities”) out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with a Issuer’s call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400 million Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company.

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**14 Off-Balance Sheet financial instruments**

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

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	28,335,459	196,565	(835,405)
(ii) 1 year to 3 years	330,841	-	(5,948)
(ii) More than 3 years	107,120	15,924	(19,477)
- Swaps			
(i) Less than 1 year	9,577,795	283,709	(353,396)
(ii) 1 year to 3 years	1,566,188	41,399	(91,291)
(iii) More than 3 years	1,664,032	70,029	(25,840)
- Options			
(i) Less than 1 year	2,412,901	14,184	(16,799)
(ii) 1 year to 3 years	584,712	1,867	(1,867)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	57,661,594	4,898	(1,564)
- Swaps			
(i) Less than 1 year	13,646,422	7,980	(10,087)
(ii) 1 year to 3 years	25,914,775	109,162	(129,200)
(iii) More than 3 years	18,671,434	82,820	(213,916)
- Cross currency swaps			
(i) Less than 1 year	-	-	-
(ii) 1 year to 3 years	80,930	3,799	-
Equity related contracts			
(i) Less than 1 year	332,994	5,383	(5,382)
(ii) 1 year to 3 years	269,158	7,788	(7,789)
(iii) More than 3 years	34,464	2,883	(2,667)
<b>Total</b>	<b>161,190,819</b>	<b>848,390</b>	<b>(1,720,628)</b>

**The Company**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	100,000	-	(529)
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>(529)</b>

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

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

**The Group**

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

**The Company**

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

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM651,252,000 (FYE June 2017: RM115,444,000) and RM115,291,502,000 (FYE June 2017: RM85,460,579,000) respectively.

Derivatives

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

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM890,839,000 (FYE June 2017: RM1,014,653,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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



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

##### Liquidity risk

###### Derivatives

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

##### Related accounting policies

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

###### *Fair value hedge*

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

###### *Cash flow hedge*

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

#### 15 Material litigation

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

#### 16 HLFG Dividend

For the financial period ended 31 December 2017, a single-tier dividend of 13 sen per share was declared (31 December 2016: 13 sen per share) and paid on 28 December 2017.

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**17 Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Net profit attributable to equity holders	495,343	443,033	950,595	829,225
Weighted average number of ordinary shares ('000)	1,143,552	1,143,552	1,143,552	1,143,552
<b>Basic earnings per share (Sen)</b>	<u>43.3</u>	<u>38.7</u>	<u>83.1</u>	<u>72.5</u>

	The Company		The Company	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Net profit attributable to equity holders	418,018	435,054	399,707	414,642
Weighted average number of ordinary shares ('000)	1,147,516	1,147,516	1,147,516	1,147,516
<b>Basic earnings per share (Sen)</b>	<u>36.4</u>	<u>37.9</u>	<u>34.8</u>	<u>36.1</u>

(b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Net profit attributable to equity holders	495,343	443,033	950,595	829,225
Weighted average number of ordinary shares ('000) - during the year	1,143,552	1,143,552	1,143,552	1,143,552
	<u>1,143,552</u>	<u>1,143,552</u>	<u>1,143,552</u>	<u>1,143,552</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>43.3</u>	<u>38.7</u>	<u>83.1</u>	<u>72.5</u>

	The Company		The Company	
	Current quarter ended 31/12/2017	Last year quarter ended 31/12/2016	Current year to date 31/12/2017	Last year to date 31/12/2016
	RM '000	RM '000	RM '000	RM '000
Net profit attributable to equity holders	418,018	435,054	399,707	414,642
Weighted average number of ordinary shares ('000) - during the year	1,147,516	1,147,516	1,147,516	1,147,516
	<u>1,147,516</u>	<u>1,147,516</u>	<u>1,147,516</u>	<u>1,147,516</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>36.4</u>	<u>37.9</u>	<u>34.8</u>	<u>36.1</u>

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**18 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 31/12/2017 RM '000</b>	<b>As at 30/06/2017 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	26,288,582	25,419,231
- Unrealised	812,286	972,893
Total share of retained profits from associated companies		
- Realised	2,912,568	2,617,982
- Unrealised	3,296	2,357
Total share of retained profits from joint ventures		
- Realised	78,346	68,851
	<u>30,095,078</u>	<u>29,081,314</u>
Less: Consolidation adjustments	(16,766,570)	(16,553,836)
Total Group's retained profits as per consolidated accounts	<u>13,328,508</u>	<u>12,527,478</u>

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

Dated this 26th February 2018