

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
THE GROUP		
Assets		
Cash and short-term funds	8,376,922	9,890,071
Deposits and placements with banks and other financial institutions	10,823,429	10,196,421
Securities purchased under resale agreements	-	35,126
Financial assets at fair value through profit or loss	25,706,033	-
Financial assets held-for-trading	-	10,536,881
Financial investments at fair value through other comprehensive income	25,828,347	-
Financial investments available-for-sale	-	37,732,539
Financial investments at amortised cost	15,268,047	-
Financial investments held-to-maturity	-	15,895,679
Derivative financial instruments	569,190	971,195
Loans, advances and financing	133,145,961	128,851,234
Clients' and brokers' balances	391,519	525,556
Other receivables	1,303,897	952,570
Statutory deposits with Central Banks	4,449,911	4,364,982
Tax recoverable	11,973	367
Investment in associated companies	5,051,548	4,538,326
Investment in joint venture	-	179,426
Property and equipment	1,565,566	1,573,829
Investment properties	494,164	494,164
Goodwill	2,410,644	2,410,644
Intangible assets	133,118	168,541
Total Assets	235,530,269	229,317,551
Liabilities		
Deposits from customers	162,078,274	156,882,912
Investment accounts of customers	263	-
Deposits and placements of banks and other financial institutions	6,749,482	9,296,395
Obligations on securities sold under repurchase agreements	2,958,613	3,931,523
Bills and acceptances payable	427,605	544,450
Derivative financial instruments	682,332	1,082,140
Clients' and brokers' balances	278,552	350,730
Payables and other liabilities	13,850,064	11,708,191
Recourse obligations on loans sold to Cagamas Berhad	251,173	202,952
Provision for claims	135,698	150,478
Provision for taxation	186,765	244,162
Deferred tax liabilities	154,676	78,309
Borrowings	929,346	1,300,371
Subordinated obligations	2,831,901	2,800,447
Innovative Tier 1 capital securities	454,724	474,612
Multi-currency Additional Tier 1 capital securities	806,698	401,369
Insurance funds	14,359,149	13,188,787
Total Liabilities	207,135,315	202,637,828
Equity		
Share capital	2,267,008	2,267,008
Capital reserves	1,679,362	1,540,421
Retained profits	15,150,855	13,910,419
Fair value reserve	54,209	109,284
Treasury shares for ESOS	(39,399)	(22,686)
Total Shareholders' Equity	19,112,035	17,804,446
Non-controlling interests	9,282,919	8,875,277
Total Equity	28,394,954	26,679,723
Total Liabilities and Equity	235,530,269	229,317,551
Commitments and Contingencies	225,574,461	177,098,055
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	16.70	15.55

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
THE GROUP				
Interest income	1,724,979	1,619,916	5,179,598	4,857,307
Interest expense	(1,037,957)	(914,193)	(3,102,685)	(2,676,386)
Net interest income	687,022	705,723	2,076,913	2,180,921
Net income from Islamic banking business	188,468	166,680	532,288	483,323
Non-interest income	432,215	513,952	1,326,961	1,366,878
Net income	1,307,705	1,386,355	3,936,162	4,031,122
Overhead expenses	(600,455)	(592,567)	(1,765,322)	(1,723,150)
Operating profit before allowances	707,250	793,788	2,170,840	2,307,972
(Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	(4,606)	(12,586)	34,894	(66,692)
Writeback of impairment losses on financial investments	1,432	1,454	353	1,545
	704,076	782,656	2,206,087	2,242,825
Share of results of associated companies	155,037	154,701	459,656	450,226
Share of results of joint venture	-	5,412	-	14,907
Profit before taxation	859,113	942,769	2,665,743	2,707,958
Taxation	(157,135)	(181,273)	(462,215)	(506,588)
Net profit for the financial period	701,978	761,496	2,203,528	2,201,370
Attributable to:				
Owners of the parent	463,415	502,557	1,450,657	1,453,152
Non-controlling interests	238,563	258,939	752,871	748,218
Net profit for the financial period	701,978	761,496	2,203,528	2,201,370
Earnings per share - basic (sen)	40.5	43.9	126.7	127.1

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
THE GROUP				
Net profit for the financial period	701,978	761,496	2,203,528	2,201,370
Other comprehensive income/(loss):				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income/(loss) of associated companies	2,817	(102)	10,545	1,116
Net fair value changes in financial investments at fair value through other comprehensive income	148,500	-	248,442	-
Net fair value changes in financial investments available-for-sale	-	(133,441)	-	(197,612)
Net fair value changes in cash flow hedge	(1,906)	36	(2,981)	1,405
Currency translation differences	24,727	(136,794)	(10,183)	(300,870)
Income tax relating to components of other comprehensive (loss)/income	(30,923)	28,703	(56,151)	41,448
Other comprehensive income/(loss) for the financial period, net of tax	143,215	(241,598)	189,672	(454,513)
Total comprehensive income for the financial period, net of tax	845,193	519,898	2,393,200	1,746,857
Attributable to:				
Owners of the parent	557,996	340,376	1,578,774	1,147,041
Non-controlling interests	287,197	179,522	814,426	599,816
	845,193	519,898	2,393,200	1,746,857

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	72,955	25,466
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	6,271	-
Other receivables	2,476	4,547
Deferred tax assets	76	75
Investment in subsidiary companies	18,407,285	17,996,078
Property and equipment	4,496	5,332
Intangible assets	2	1
Total Assets	18,496,921	18,034,859
<u>Liabilities</u>		
Derivative financial instruments	173	327
Payables and other liabilities	14,385	13,612
Provision for taxation	3,320	1,972
Subordinated obligations	505,825	499,599
Multi-currency Additional Tier 1 capital securities	805,488	400,751
Borrowings	984,301	1,385,934
Total Liabilities	2,313,492	2,302,195
<u>Financed by:</u>		
Share capital	2,267,008	2,267,008
Capital reserves	268,540	259,160
Retained profits	13,669,088	13,206,499
Treasury shares for ESOS	(21,207)	(3)
Total Equity	16,183,429	15,732,664
Total Liabilities and Equity	18,496,921	18,034,859
Commitments and Contingencies	100,000	100,000

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2019	quarter ended 31/03/2018	to date 31/03/2019	to date 31/03/2018
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	11,328	5,219	34,758	8,549
Interest expense	(22,959)	(18,142)	(75,536)	(50,225)
Net interest expense	(11,631)	(12,923)	(40,778)	(41,676)
Non-interest income	217,277	405,064	690,287	846,764
Net income	205,646	392,141	649,509	805,088
Overhead expenses	(12,053)	(12,487)	(33,224)	(23,813)
Profit before taxation	193,593	379,654	616,285	781,275
Taxation	(2,846)	(2,112)	(4,649)	(4,026)
Net profit for the financial period	190,747	377,542	611,636	777,249
Earnings per share - basic (sen)	16.6	32.9	53.3	67.7

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2019	quarter ended 31/03/2018	to date 31/03/2019	to date 31/03/2018
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	190,747	377,542	611,636	777,249
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	190,747	377,542	611,636	777,249

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options 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
THE GROUP												
At 1 July 2018	2,267,008	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723
Effect of adopting MFRS 9	-	6,391	(190,495)	-	-	-	-	43,157	-	(140,947)	(75,015)	(215,962)
As restated	2,267,008	761,401	(81,211)	544	213,314	50,254	521,299	13,953,576	(22,686)	17,663,499	8,800,262	26,463,761
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,450,657	-	1,450,657	752,871	2,203,528
Currency translation differences	-	-	-	-	-	-	(5,767)	-	-	(5,767)	(4,416)	(10,183)
Share of other comprehensive income of associated companies	-	-	8,570	-	-	-	-	-	-	8,570	1,975	10,545
Net fair value changes in financial investments at fair value through other comprehensive income, net of tax	-	-	126,850	-	-	-	-	-	-	126,850	64,801	191,651
Net fair value changes in cash flow hedge, net of tax	-	-	-	(1,536)	-	-	-	-	-	(1,536)	(805)	(2,341)
Total comprehensive income/(loss)	-	-	135,420	(1,536)	-	-	(5,767)	1,450,657	-	1,578,774	814,426	2,393,200
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	104,124	-	-	-	-	-	(104,124)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(6,803)	-	(6,803)	6,803	-
Dividends paid	-	-	-	-	-	-	-	(149,047)	-	(149,047)	-	(149,047)
Non-controlling interests subscription of shares	-	-	-	-	-	-	-	-	-	-	35,000	35,000
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(376,478)	(376,478)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	2,906	2,906
Option charge arising from ESS granted	-	-	-	-	-	40,692	-	-	-	40,692	-	40,692
Purchase of treasury shares	-	-	-	-	-	-	-	-	(21,204)	(21,204)	-	(21,204)
ESS exercised	-	-	-	-	-	(4,963)	-	6,596	4,491	6,124	-	6,124
At 31 March 2019	2,267,008	865,525	54,209	(992)	213,314	85,983	515,532	15,150,855	(39,399)	19,112,035	9,282,919	28,394,954
At 1 July 2017	2,267,008	680,987	259,635	(703)	134,957	29,429	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	-	-	-	-	-	-	-	1,453,152	-	1,453,152	748,218	2,201,370
Currency translation differences	-	-	-	-	-	-	(203,549)	-	-	(203,549)	(97,321)	(300,870)
Share of other comprehensive income of associated companies	-	-	935	-	-	-	-	-	-	935	181	1,116
Net fair value changes in financial investments available-for-sale, net of tax	-	-	(104,198)	-	-	-	-	-	-	(104,198)	(51,629)	(155,827)
Net fair value changes in cash flow hedge, net of tax	-	-	-	701	-	-	-	-	-	701	367	1,068
Total comprehensive (loss)/income	-	-	(103,263)	701	-	-	(203,549)	1,453,152	-	1,147,041	599,816	1,746,857
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	26,650	-	-	-	-	-	(26,650)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(3,819)	-	(3,819)	3,819	-
Dividends paid	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(356,241)	(356,241)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	1,695	1,695
Option charge arising from ESS granted	-	-	-	-	-	19,302	-	-	-	19,302	-	19,302
ESS exercised	-	-	-	-	-	(3,036)	-	6,830	5,917	9,711	-	9,711
Transfer to other reserves	-	-	-	-	4	-	-	(4)	-	-	-	-
At 31 March 2018	2,267,008	707,637	156,372	(2)	134,961	45,695	542,309	13,807,810	(29,795)	17,631,995	8,672,665	26,304,660

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM854,280,000 (31 March 2018: RM696,392,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2018: 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 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Share capital RM '000	Other capital reserve RM '000	Share options reserve RM '000	Treasury shares for ESOS RM '000	Retained profits RM '000	Total equity RM '000
<u>THE COMPANY</u>						
At 1 July 2018	2,267,008	254,991	4,169	(3)	13,206,499	15,732,664
Net profit for the financial period	-	-	-	-	611,636	611,636
Dividends paid	-	-	-	-	(149,047)	(149,047)
Option charge arising from ESS granted	-	-	9,380	-	-	9,380
Purchase of treasury shares	-	-	-	(21,204)	-	(21,204)
At 31 March 2019	<u>2,267,008</u>	<u>254,991</u>	<u>13,549</u>	<u>(21,207)</u>	<u>13,669,088</u>	<u>16,183,429</u>
At 1 July 2017	2,267,008	254,991	-	(3)	12,909,636	15,431,632
Net profit for the financial period	-	-	-	-	777,249	777,249
Dividends paid	-	-	-	-	(149,177)	(149,177)
Option charge arising from ESS granted	-	-	979	-	-	979
At 31 March 2018	<u>2,267,008</u>	<u>254,991</u>	<u>979</u>	<u>(3)</u>	<u>13,537,708</u>	<u>16,060,683</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	The Group		The Company	
	31/03/2019 RM '000	31/03/2018 RM '000	31/03/2019 RM '000	31/03/2018 RM '000
Profit before taxation	2,665,743	2,707,958	616,285	781,275
Adjustment for non-cash items	(433,490)	(696,921)	(631,924)	(796,031)
Operating profit/(loss) before working capital changes	2,232,253	2,011,037	(15,639)	(14,756)
Income tax paid	(465,472)	(369,745)	(3,303)	-
Interest received	23,551	1,690	23,551	1,690
Changes in working capital				
Net changes in operating assets	(8,015,226)	(7,737,946)	(4,268)	45,752
Net changes in operating liabilities	3,649,146	2,545,720	777	(1,051)
Net cash (used in)/generated from operating activities	(2,575,748)	(3,549,244)	1,118	31,635
Cash flow from investing activities				
Net sales of financial investments at fair value through other comprehensive income	1,082,343	-	-	-
Net purchases of financial investments available-for-sale	-	(1,627,375)	-	-
Net sales of financial investments at amortised cost	1,063,487	-	-	-
Net purchases of financial investments held-to-maturity	-	(1,231)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,024,204	-	-	-
Interest received on financial investments available-for-sale and financial investments held-to-maturity	-	888,988	-	-
Purchase of intangible assets	(10,821)	(6,894)	(2)	-
Purchase of property and equipment	(107,362)	(110,000)	(19)	(4,000)
Net proceeds from disposal of property and equipment	648	5,826	-	-
Dividends received from other investments	245,704	240,178	1,150	-
Dividends received from subsidiary companies	-	-	681,419	648,555
Dividends received from associated company	2,901	-	-	-
Dividends received from joint venture	-	3,563	-	-
Proceeds from redemption of redeemable preference shares	-	-	-	3,900
Proceeds from liquidation	-	-	21	2,100
Investment in debt instrument issued by subsidiary company - Multi-currency Additional Tier 1 capital securities	-	-	(400,000)	(400,000)
Net cash generated from/(used in) investing activities	3,301,104	(606,945)	282,569	250,555
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(149,047)	(149,177)	(149,047)	(149,177)
Dividends paid to non-controlling interests	(376,481)	(356,241)	-	-
Purchase of treasury shares	(21,204)	-	(21,204)	-
Proceeds from ESOS exercised	6,124	-	-	-
Repayment of revolving credit	(27,000)	(315,000)	(27,000)	(315,000)
Repayment of medium term notes and commercial papers	(515,000)	(150,000)	(570,000)	(150,000)
Proceeds from senior notes	375,000	-	400,000	-
Repayment of innovative Tier 1 capital securities	(10,000)	-	-	-
Repayment of term loans	(200,000)	-	(200,000)	-
Proceeds from Multi-currency Additional Tier 1 capital securities	400,000	400,000	400,000	400,000
Proceeds from subordinated obligations	10,000	-	-	-
Non-controlling interests subscription of shares	35,000	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(11,311)	-	(11,311)	-
Interest paid on subordinated obligations	(84,885)	(64,994)	(12,397)	-
Interest paid on borrowings	(44,587)	(37,510)	(45,239)	(44,974)
Interest paid on innovative Tier 1 capital securities	(38,646)	(37,601)	-	-
Interest paid on recourse obligations on loans sold to Cagamas Berhad	(7,600)	(7,576)	-	-
Net cash used in financing activities	(659,637)	(718,099)	(236,198)	(259,151)
Net increase/(decrease) in cash and cash equivalents	65,719	(4,874,288)	47,489	23,039
Effects of exchange rate changes	(3,851)	(280,110)	-	-
Cash and cash equivalents at 1 July	15,684,888	12,648,403	25,526	6,821
Cash and cash equivalents at 31 March	15,746,756	7,494,005	73,015	29,860
Analysis of cash and cash equivalents				
Cash and short-term funds	8,376,922	9,836,415	72,955	26,500
Deposits and placements with banks and other financial institutions	10,823,429	12,352,608	3,360	3,360
	19,200,351	22,189,023	76,315	29,860
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(3,453,595)	(14,695,018)	(3,300)	-
	15,746,756	7,494,005	73,015	29,860

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

1. Basis of preparation

The unaudited condensed financial statements have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and 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 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 2018. 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 2018.

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 and Hong Leong MSIG Takaful Berhad 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 2018 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

With effect from the financial year beginning on/after 1 July 2018, the Group and the Company apply MFRS 9 'Financial Instruments', replacing MFRS 139 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces and expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2018 will not be restated. The impact of adoption of MFRS 9 to the Group and the Company are disclosed in Note 35.

The adoption of the above new standards and interpretation are not expected to have impact on the financial results of the Group and the Company, except for the cumulative impact on the adoption of MFRS 9 which is recognised in the retained earnings as at 1 July 2018.

Revised Bank Negara Malaysia ("BNM") Policy Document on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Group's domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy documents are presented in Note 35.

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

2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2018

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2018.

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.

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5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 31 March 2019 other than as mentioned below.

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

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

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 2 - 26 months from the respective vesting dates.

During the financial period ended 31 March 2019, the Company purchased 1,145,600 units of shares for RM21,203,474 and no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 31 March 2019, the total number of Treasury Shares for ESOS is 1,146,100 at an average price of RM18.50 per share and the total consideration paid, including transaction costs was RM21,206,630.

The insurance subsidiary company exercised a total of 498,500 ordinary shares pursuant to the Company's ESS at the adjusted exercise price of RM16.61 during the financial period ended 31 March 2019.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 March 2019 was 2,019,400 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM18,191,966 which have been classified as Treasury Shares for ESOS at the Group level.

b) Issuance of Senior Notes

On 6 September 2018, the Company issued RM400.0 million in aggregate principal amount of Senior Notes ("the Notes") out of its multi-currency perpetual notes programme. The Notes were issued for a period of three years with a coupon rate of 4.35% per annum.

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

On 29 March 2019, the Company issued second tranche of RM400.0 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 4.82% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by Hong Leong Bank Berhad, a subsidiary of the Company.

7. Dividends paid

A first interim single-tier dividend of 13.0 sen per share amounting to RM149.0 million was paid on 27 December 2018.

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

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8. Segmental reporting (continued)

The Group 31 March 2019	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	3,541,200	144,345	287,592	(36,975)	-	3,936,162
Inter-segment revenue	16,811	(316)	1,522	679,360	(697,377)	-
Segment revenue	<u>3,558,011</u>	<u>144,029</u>	<u>289,114</u>	<u>642,385</u>	<u>(697,377)</u>	<u>3,936,162</u>
Results						
Segment results	2,031,566	55,954	186,454	616,210	(684,097)	2,206,087
Share of results of associated companies						<u>459,656</u>
Profit before taxation						<u>2,665,743</u>
Taxation						<u>(462,215)</u>
Net profit for the financial period						<u>2,203,528</u>
Non-controlling interests						<u>(752,871)</u>
Profit attributable to owners of the parent						<u><u>1,450,657</u></u>
Other information						
Segment assets	206,105,580	4,053,344	21,610,326	18,497,017	(14,735,998)	<u><u>235,530,269</u></u>
Segment liabilities	181,199,159	3,264,025	18,547,754	2,315,077	1,809,300	<u><u>207,135,315</u></u>

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8. Segmental reporting (continued)

The Group	Commercial	Investment		Other	Eliminations/	Consolidated
31 March 2018	banking	banking	Insurance	operations	consolidation	
	RM '000	RM '000	RM '000	RM '000	adjustments	RM '000
					RM '000	RM '000
Revenue						
External revenue	3,660,446	137,758	278,826	(45,908)	-	4,031,122
Inter-segment revenue	2,805	7,110	3,750	663,219	(676,884)	-
Segment revenue	<u>3,663,251</u>	<u>144,868</u>	<u>282,576</u>	<u>617,311</u>	<u>(676,884)</u>	<u>4,031,122</u>
Results						
Segment results	2,049,279	58,020	202,128	944,089	(1,010,691)	2,242,825
Share of results of associated companies						450,226
Share of results of joint venture						14,907
Profit before taxation						<u>2,707,958</u>
Taxation						<u>(506,588)</u>
Net profit for the financial period						<u>2,201,370</u>
Non-controlling interests						<u>(748,218)</u>
Profit attributable to owners of the parent						<u><u>1,453,152</u></u>
Other information						
Segment assets	197,283,356	3,949,687	19,705,874	17,537,254	(14,575,015)	<u>223,901,156</u>
Segment liabilities	173,935,738	3,190,193	16,937,726	1,478,039	2,054,800	<u><u>197,596,496</u></u>

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9. Financial assets at fair value through profit or loss

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Malaysian Government securities	4,114,546	-
Malaysian Government investment certificates	1,590,285	-
Bank Negara Malaysia bills	189,492	-
Negotiable instruments of deposit	1,506,264	-
Cagamas bonds	198,413	-
Other Government securities	5,183,257	-
	<u>12,782,257</u>	<u>-</u>
Quoted securities:		
Shares in Malaysia	2,306,372	-
Shares outside Malaysia	298,368	-
Wholesale fund/unit trust investments	1,147,242	-
Foreign currency bonds in Malaysia	145,023	-
Foreign currency bonds outside Malaysia	185,446	-
Investment-linked funds	280	-
Warrants quoted in Malaysia	1,002	-
	<u>4,083,733</u>	<u>-</u>
Unquoted securities:		
Shares in Malaysia	453,295	-
Foreign currency bonds outside Malaysia	345,656	-
Corporate bonds and sukuk	8,010,226	-
Redeemable preference shares	30,866	-
	<u>8,840,043</u>	<u>-</u>
Total financial assets at fair value through profit or loss	<u>25,706,033</u>	<u>-</u>

	The Company	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Quoted securities:		
Unit trust investments	6,271	-
	<u>6,271</u>	<u>-</u>

10. Financial assets held-for-trading

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Malaysian Government securities	-	2,591,793
Malaysian Government investment certificates	-	867,698
Bankers' acceptances and Islamic accepted bills	-	55,084
Negotiable instruments of deposit	-	3,983,804
Other Government securities	-	655,493
	<u>-</u>	<u>8,153,872</u>
Quoted securities:		
Shares in Malaysia	-	612,759
Shares outside Malaysia	-	108,132
Unit trust investments	-	435,834
Foreign currency bonds in Malaysia	-	40,093
Foreign currency bonds outside Malaysia	-	68,847
	<u>-</u>	<u>1,265,665</u>
Unquoted securities:		
Foreign currency bonds outside Malaysia	-	52,465
Corporate bonds and sukuk	-	1,064,879
	<u>-</u>	<u>1,117,344</u>
Total financial assets held-for-trading	<u>-</u>	<u>10,536,881</u>

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11. Financial investments at fair value through other comprehensive income

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Malaysian Government securities	303,158	-
Malaysian Government investment certificates	6,919,284	-
Negotiable instruments of deposit	1,698,912	-
Other Government securities	623,452	-
Khazanah bonds	391,924	-
Cagamas bonds	1,352,115	-
	<u>11,288,845</u>	<u>-</u>
Quoted securities:		
Foreign currency bonds in Malaysia	2,088,324	-
Foreign currency bonds outside Malaysia	1,931,166	-
	<u>4,019,490</u>	<u>-</u>
Unquoted securities:		
Shares in Malaysia	32,534	-
Malaysian Government sukuk	541,638	-
Corporate bonds and sukuk	8,318,157	-
Foreign currency bonds in Malaysia	953,274	-
Foreign currency bonds outside Malaysia	674,409	-
	<u>10,520,012</u>	<u>-</u>
Total financial investments at fair value through other comprehensive income	<u>25,828,347</u>	<u>-</u>

Movements in the allowances for impairment which reflect the expected credit loss ("ECL") model on impairment are as follows:

	The Group As at 31/03/2019 RM '000
12 months ECL Stage 1	
As at beginning of the financial period	
- as previously stated	-
- effect of adopting MFRS 9	19,202
As restated	<u>19,202</u>
New financial assets originated or purchased	951
Financial assets derecognised	(1,054)
Changes due to change in credit risk	(638)
Exchange differences	149
As at end of the financial period	<u>18,610</u>

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12. Financial investments available-for-sale

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Malaysian Government securities	-	1,357,655
Malaysian Government investment certificates	-	4,523,680
Other Government securities	-	4,268,647
Khazanah bonds	-	673,444
Cagamas bonds	-	1,490,348
	<u>-</u>	<u>12,313,774</u>
Quoted securities:		
Shares in Malaysia	-	1,520,961
Shares outside Malaysia	-	111,481
Foreign currency bonds in Malaysia	-	2,996,117
Foreign currency bonds outside Malaysia	-	1,660,272
Investment-linked funds	-	300
Unit trust investments	-	558,205
	<u>-</u>	<u>6,847,336</u>
Unquoted securities:		
Shares in Malaysia	-	469,905
Malaysian Government sukuk	-	2,385,470
Corporate bonds and sukuk	-	13,650,762
Foreign currency bonds in Malaysia	-	1,048,287
Foreign currency bonds outside Malaysia	-	1,017,005
	<u>-</u>	<u>18,571,429</u>
Total financial investments available-for-sale	<u>-</u>	<u>37,732,539</u>

13. Financial investments at amortised cost

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Government treasury bills	53,317	-
Malaysian Government securities	158,238	-
Malaysian Government investment certificates	8,670,637	-
Khazanah bonds	301,408	-
Other Government securities	353,934	-
	<u>9,537,534</u>	<u>-</u>
Quoted securities:		
Foreign currency bonds in Malaysia	828,349	-
Foreign currency bonds outside Malaysia	148,688	-
	<u>977,037</u>	<u>-</u>
Unquoted securities:		
Malaysian Government sukuk	2,634,324	-
Corporate bonds and sukuk	2,066,061	-
Foreign currency bonds outside Malaysia	53,091	-
	<u>4,753,476</u>	<u>-</u>
Total financial investments at amortised cost	<u>15,268,047</u>	<u>-</u>

Movements in the allowances for impairment which reflect the ECL model on impairment are as follows:

	The Group As at 31/03/2019 RM '000
12 months ECL Stage 1	
As at beginning of the financial period	-
- as previously stated	-
- effect of adopting MFRS 9	854
As restated	854
New financial assets originated or purchased	263
Exchange differences	(3)
As at end of the financial period	<u>1,114</u>

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14. Financial investments held-to-maturity

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Money market instruments:		
Government treasury bills	-	52,950
Malaysian Government securities	-	1,574,180
Malaysian Government investment certificates	-	11,432,594
Other Government securities	-	383,739
	<u>-</u>	<u>13,443,463</u>
Unquoted securities:		
Malaysian Government sukuk	-	1,548,339
Corporate bonds and sukuk	-	748,201
Foreign currency bonds outside Malaysia	-	124,810
Redeemable preference shares	-	30,866
	<u>-</u>	<u>2,452,216</u>
Total financial investments held-to-maturity	<u>-</u>	<u>15,895,679</u>

15. Loans, advances and financing

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Overdrafts	3,559,240	3,794,584
Term loans/financing:		
- Housing and shop loans/financing	74,902,586	70,332,643
- Syndicated term loans/financing	11,011,921	9,953,665
- Hire purchase receivables	17,581,095	17,229,742
- Other term loans/financing	7,738,541	7,700,340
Credit/charge card receivables	3,552,013	3,899,183
Bills receivable	924,441	996,560
Trust receipts	389,774	328,628
Policy and premium loans	559,465	564,369
Claims on customers under acceptance credits	7,594,575	7,839,208
Revolving credits	6,049,625	6,627,619
Staff loans/financing	141,704	146,088
Other loans/financing	393,859	448,850
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>
Fair value changes arising from fair value hedges	876	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	(3)	(13)
Allowance for impaired loans, advances and financing:		
- 12 months ECL (Stage 1)	(357,614)	-
- Lifetime ECL not credit impaired (Stage 2)	(491,341)	-
- Lifetime ECL credit impaired (Stage 3)	(404,796)	-
- Collective assessment allowance	-	(805,397)
- Individual assessment allowance	-	(202,295)
Total net loans, advances and financing	<u>133,145,961</u>	<u>128,851,234</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM230,487,000 (2018: RM177,874,000).

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15. Loans, advances and financing (continued)

(a) By type of customers

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Domestic non-bank financial institutions	899,222	597,185
Domestic business enterprises:		
- small and medium enterprises	20,862,800	20,480,196
- others	18,028,186	16,489,255
Government and statutory bodies	13,549	19,374
Individuals	92,299,949	85,095,493
Other domestic entities	295,194	269,937
Foreign entities	1,999,939	6,910,039
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Fixed rate		
- Housing and shop loans/financing	1,687,285	2,583,136
- Hire purchase receivables	17,337,391	16,916,260
- Other fixed rate loan/financing	6,564,871	7,241,647
Variable rate		
- Base rate/base lending rate plus	91,799,158	86,079,824
- Cost plus	16,437,045	16,635,549
- Other variable rates	573,089	405,063
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>

(c) By economic purposes

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Purchase of securities	953,712	604,109
Purchase of transport vehicles	17,096,199	16,893,711
Purchase of landed properties		
- residential	65,913,263	61,370,803
- non-residential	15,921,880	15,553,253
Purchase of fixed assets (excluding landed properties)	872,240	546,924
Personal use	3,329,058	3,248,454
Credit card	3,552,013	3,899,183
Construction	1,798,425	1,552,918
Mergers and acquisition	311,962	362,600
Working capital	22,719,797	23,857,255
Other purposes	1,930,290	1,972,269
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>

(d) By geographical distribution

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Malaysia	127,787,362	123,335,851
Singapore	4,885,068	5,097,771
Vietnam	573,089	405,063
Cambodia	1,153,320	1,022,794
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>

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15. Loans, advances and financing (continued)

(e) By residual contractual maturity

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Within one year	25,486,798	27,426,888
One year to less than three years	6,168,040	6,027,852
Three years to less than five years	9,449,535	9,069,429
Five years and more	93,294,466	87,337,310
Gross loans, advances and financing	<u>134,398,839</u>	<u>129,861,479</u>

(f) Credit impaired/impaird loans, advances and financing by economic purposes

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Purchase of securities	200	1,256
Purchase of transport vehicles	128,243	134,141
Purchase of landed properties		
- residential	345,744	353,270
- non-residential	159,970	170,961
Purchase of fixed assets (excluding landed properties)	5,045	3,465
Personal use	110,247	46,682
Credit card	34,891	39,562
Construction	8,181	3,530
Working capital	283,942	376,386
Other purposes	5,099	3,134
Gross credit impaired/impaird loans, advances and financing	<u>1,081,562</u>	<u>1,132,387</u>

(g) Credit impaired/impaird loans, advances and financing by geographical distribution

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Malaysia	1,004,015	1,119,695
Singapore	71,104	1,394
Vietnam	2,880	3,937
Cambodia	3,563	7,361
Gross credit impaired/impaird loans, advances and financing	<u>1,081,562</u>	<u>1,132,387</u>

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

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
As at beginning of the financial period/year		
- as previously stated	1,132,387	1,215,017
- effect of adopting MFRS 9	(11)	-
As restated	<u>1,132,376</u>	<u>1,215,017</u>
Classified as impaired during the financial period/year	1,232,269	1,663,481
Reclassified as non-impaired during the financial period/year	(666,186)	(889,043)
Amount written back in respect of recoveries	(379,791)	(392,039)
Amount written off	(238,170)	(460,834)
Exchange differences	1,064	(4,195)
As at end of the financial period/year	<u>1,081,562</u>	<u>1,132,387</u>
Gross credit impaired/impaird loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.9%</u>

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15. Loans, advances and financing (continued)

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

The Group	12 months ECL Stage 1 RM '000	Lifetime ECL not credit impaired Stage 2 RM '000	Lifetime ECL credit impaired Stage 3 RM '000	Total ECL RM '000
As at beginning of the financial period				
- as previously stated				1,007,692
- effect of adopting MFRS 9				367,550
As restated	420,526	492,615	462,101	1,375,242
Changes in ECL due to transfer within stages	(77,311)	(99,321)	176,632	-
- transfer to 12 months ECL (Stage 1)	18,132	(17,951)	(181)	-
- transfer to Lifetime ECL not credit impaired (Stage 2)	(95,503)	168,325	(72,822)	-
- transfer to Lifetime ECL credit impaired (Stage 3)	60	(249,695)	249,635	-
New financial assets originated	41,257	2,610	38	43,905
Financial assets derecognised	(26,785)	(30,777)	(23,716)	(81,278)
Changes due to change in credit risk	(280)	126,122	36,115	161,957
Modifications to contractual cash flows of financial assets	-	-	4,358	4,358
Amount written off	-	-	(211,619)	(211,619)
Exchange differences	207	91	1,042	1,340
Other movements	-	1	(40,155)	(40,154)
As at end of the financial period	<u>357,614</u>	<u>491,341</u>	<u>404,796</u>	<u>1,253,751</u>

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year		
- as previously stated	805,397	830,407
- effect of adopting MFRS 9	(805,397)	-
As restated	-	830,407
Allowance made during the financial period/year	-	300,218
Amount written off	-	(310,061)
Unwinding income	-	(14,475)
Exchange differences	-	(692)
As at end of the financial period/year	<u>-</u>	<u>805,397</u>

Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance 1.2%

<u>Individual assessment allowance</u>		
As at beginning of the financial period/year		
- as previously stated	202,295	325,536
- effect of adopting MFRS 9	(202,295)	-
As restated	-	325,536
Allowance made during the financial period/year	-	63,406
Amount written back in respect of recoveries	-	(55,505)
Amount written off	-	(119,266)
Unwinding income	-	(7,959)
Exchange differences	-	(3,917)
As at end of the financial period/year	<u>-</u>	<u>202,295</u>

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16. Other receivables

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Foreclosed properties	20,176	46
Sundry debtors and other prepayments	263,405	293,418
Treasury related receivables	607,475	65,547
Fee income receivable	4,715	2,842
Cash collateral pledged for derivative transactions	233,593	314,855
Other receivables	174,533	275,862
	1,303,897	952,570

	The Company	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Amount due from subsidiary companies	934	4,137
Sundry debtors and other prepayments	1,312	180
Other receivables	230	230
	2,476	4,547

17. Investment in associated companies

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
<u>Retained portion</u>		
Quoted shares outside Malaysia, at cost	938,311	938,311
Unquoted shares in Malaysia, at cost	618,666	618,666
Unquoted shares outside Malaysia, at cost	24,657	-
Cumulative share of results, net of dividends received	2,989,382	2,498,670
Cumulative share of changes in other comprehensive income	5,802	(4,743)
Exchange fluctuation reserve	474,730	487,422
	5,051,548	4,538,326

On 25 October 2007, Hong Leong Bank Berhad ("HLB") entered into a Share Subscription Agreement with Bank of Chengdu Co., Ltd. ("BOCD") to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The subscription enables HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It strengthens and diversifies the earning base of HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Group's equity interest of the Enlarged Capital in BOCD is now reduced to 18% from 20%.

Included in the investment in associated companies are the reclassification of the retained interest of 12% from investment in joint venture under the Group of RM67,757,000.

On 1 October 2010, HLA Holdings Sdn Bhd ("HLAH") entered into a Strategic Partnership with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") to transfer the Non-Life Business of Hong Leong Assurance Berhad ("HLA") to MSIG Insurance (Malaysia) Bhd ("MSIM"), a subsidiary of MSIJ and one of the largest general insurance in Malaysia, satisfied via the issuance of new shares 30% of the ordinary issued and paid-up capital of MSIM.

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18. Investment in joint venture

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
<u>Retained portion</u>		
Unquoted shares outside Malaysia, at cost	-	24,657
Cumulative share of results, net of dividends received	-	26,342
Exchange fluctuation reserve	-	6,674
	<u>-</u>	<u>57,673</u>
Equity interest held for sale	-	121,753
	<u>-</u>	<u>179,426</u>

On 1 March 2010, HLB together with 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 HLB's strategic partnership in BOCD and affirms HLB's vision and belief in the huge potential of China.

In March 2017, HLB's Board of Directors has approved the divestment of 37% of HLB's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by HLB to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM67,757,000 are derecognised from its investment in joint venture and classified as investment in associated companies.

19. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
At amortised cost		
Fixed deposits	91,213,046	88,068,740
Negotiable instruments of deposits	9,934,841	6,892,073
Short-term placements	17,416,106	16,624,892
	<u>118,563,993</u>	<u>111,585,705</u>
Demand deposits	22,315,893	23,586,919
Savings deposits	17,286,516	17,563,850
Others	927,131	979,288
	<u>159,093,533</u>	<u>153,715,762</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	3,050,801	3,334,428
Fair value changes arising from designation at fair value through profit or loss*	(66,060)	(167,278)
	<u>2,984,741</u>	<u>3,167,150</u>
	<u>162,078,274</u>	<u>156,882,912</u>

*Note:

The Group has issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

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19. Deposits from customers (continued)

(b) By type of customers

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Government and statutory bodies	8,562,709	4,818,613
Business enterprises	65,247,787	61,345,942
Individuals	85,248,044	88,185,501
Others	3,019,734	2,532,856
	<u>162,078,274</u>	<u>156,882,912</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
	31/03/2019	30/06/2018
	RM '000	RM '000
Due within six months	94,561,554	83,100,530
More than six months to one year	22,139,873	26,160,206
More than one year to five years	1,838,335	2,324,969
More than five years	24,231	-
	<u>118,563,993</u>	<u>111,585,705</u>

20. Investment accounts of customers

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Unrestricted investment accounts	<u>263</u>	<u>-</u>

21. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/03/2019	30/06/2018
	RM '000	RM '000
Licensed banks	4,727,783	7,134,830
Licensed investment banks	221,625	309,597
Licensed Islamic banks	135,000	-
Other financial institutions	1,665,074	1,851,968
	<u>6,749,482</u>	<u>9,296,395</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short-term)	<u>6,749,482</u>	<u>9,296,395</u>

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22. Payables and other liabilities

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Trade payables	2,958,972	2,731,351
Post employment benefits obligation - defined contribution plan	1,883	1,855
Loan advance payment	3,319,438	3,229,766
Treasury and cheque clearing	554,615	50,106
Treasury related payables	122,847	231,223
Sundry creditors and accruals	404,412	554,916
Provision for bonus and staff related expenses	166,399	226,546
Financial liabilities due to third party investors*	5,570,129	3,859,209
Others	751,369	823,219
	13,850,064	11,708,191

* 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'.

	The Company	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Post employment benefits obligation - defined contribution plan	45	45
Sundry creditors and accruals	5,236	2,093
Provision for bonus and staff related expenses	9,104	11,474
	14,385	13,612

23. Interest income

	The Group		The Group	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Loans, advances and financing	1,218,796	1,153,799	3,634,035	3,479,793
Money at call and deposit placements with financial institutions	51,966	62,422	168,839	152,507
Securities purchased under resale agreements	11	2,992	951	5,030
Financial assets at fair value through profit or loss	114,791	-	330,975	-
Financial assets held-for-trading	-	98,036	-	312,260
Financial investments at fair value through other comprehensive income	219,551	-	672,134	-
Financial investments available-for-sale	-	198,567	-	586,638
Financial investments at amortised cost	112,037	-	352,070	-
Financial investments held-to-maturity	-	98,750	-	302,350
Others	7,827	5,350	20,594	18,729
	1,724,979	1,619,916	5,179,598	4,857,307
Of which:				
Interest income earned on impaired loans, advances and financing	3,181	12,726	10,967	39,808

	The Company		The Company	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Money at call and deposit placements with financial institutions	121	159	694	1,229
Subordinated obligations	5,992	-	18,242	-
Multi-currency Additional Tier 1 capital securities	5,215	5,060	15,559	6,859
Others	-	-	263	461
	11,328	5,219	34,758	8,549

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24. Interest expense

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2019	quarter ended 31/03/2018	to date 31/03/2019	to date 31/03/2018
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	81,986	54,102	240,571	144,851
Deposits from customers	794,043	724,795	2,335,592	2,105,884
Short-term placements	96,669	76,062	322,671	245,895
Borrowings	11,364	12,776	40,561	42,714
Subordinated obligations	34,914	28,896	106,339	88,016
Recourse obligations on loans sold to Cagamas Berhad	1,875	1,875	5,707	5,707
Innovative Tier 1 capital securities	10,259	9,552	30,610	28,479
Multi-currency Additional Tier 1 capital securities	5,302	98	15,818	943
Others	1,545	6,037	4,816	13,897
	<u>1,037,957</u>	<u>914,193</u>	<u>3,102,685</u>	<u>2,676,386</u>

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2019	quarter ended 31/03/2018	to date 31/03/2019	to date 31/03/2018
	RM '000	RM '000	RM '000	RM '000
Borrowings	11,383	12,776	40,604	42,714
Subordinated obligations	6,118	-	18,623	-
Multi-currency Additional Tier 1 capital securities	5,379	5,219	16,048	7,074
Others	79	147	261	437
	<u>22,959</u>	<u>18,142</u>	<u>75,536</u>	<u>50,225</u>

25. Net income from Islamic banking business

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2019	quarter ended 31/03/2018	to date 31/03/2019	to date 31/03/2018
	RM '000	RM '000	RM '000	RM '000
Income derived from investment of depositors' funds and others	388,474	320,000	1,099,496	937,654
of which finance income	377,606	319,679	1,082,273	933,179
of which other operating income	10,868	321	17,223	4,475
Income derived from investment of shareholders' funds	31,838	40,362	118,792	113,367
of which finance income	20,186	27,798	81,461	81,146
of which other operating income	11,652	12,564	37,331	32,221
Income derived from investment of investment accounts	2	-	2	-
Income attributable to depositors	(231,845)	(193,682)	(686,001)	(567,698)
Income attributable to depositors on investment accounts	(1)	-	(1)	-
	<u>188,468</u>	<u>166,680</u>	<u>532,288</u>	<u>483,323</u>

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26. Non-interest income

	The Group		The Group	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Net income from insurance business	64,653	71,634	206,412	200,145
Net brokerage and commissions from stockbroking business	12,897	19,751	39,580	50,373
Net unit trust and asset management income	11,786	8,945	37,313	24,859
Fee income:				
Commissions	31,336	36,951	111,566	118,852
Service charges and fees	12,597	17,544	39,343	48,113
Guarantee fees	3,359	4,269	11,404	10,706
Credit card related fees	57,869	53,277	180,128	168,515
Corporate advisory fees	768	1,733	4,850	4,454
Commitment fees	8,149	8,056	24,373	25,028
Fee on loans, advances and financing	8,660	10,271	27,985	29,716
Placement fees	336	675	2,025	768
Arranger fees	877	170	2,585	3,485
Other fee income	35,521	33,728	83,129	87,905
	159,472	166,674	487,388	497,542
Net realised (loss)/gain from sale/redemption of:				
Financial assets at fair value through profit or loss	30,126	-	73,054	-
Financial assets held-for-trading	-	14,643	-	42,130
Financial investments at fair value through other comprehensive income	52,592	-	80,351	-
Financial investments available-for-sale	-	67,706	-	146,454
Financial investments at amortised cost	15,902	-	15,902	-
Financial investments held-to-maturity	-	3	-	3
Derivative financial instruments	(113,301)	107,567	(240,889)	49,034
	(14,681)	189,919	(71,582)	237,621
Gross dividend income from:				
Financial assets at fair value through profit or loss	77,541	-	245,501	-
Financial assets held-for-trading	-	1,130	-	3,839
Financial investments at fair value through other comprehensive income	-	-	203	-
Financial investments available-for-sale	-	78,385	-	236,339
	77,541	79,515	245,704	240,178
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	48,110	-	60,763	-
Financial assets held-for-trading	-	(12,202)	-	(21,985)
Derivative financial instruments	15,301	(80,272)	72,625	3,763
	63,411	(92,474)	133,388	(18,222)
Amortisation of fair value changes arising from terminated fair value hedges	(109)	(259)	(290)	(704)
Net loss on fair value changes arising from fair value hedges	(149)	(102)	(197)	(138)
Other income:				
Foreign exchange gain	49,663	63,538	134,982	115,487
Rental income	2,141	2,364	5,007	6,477
Net gain on disposal of property and equipment	5	784	353	2,545
Net gain on divestment of joint venture	-	-	90,106	-
Other non-operating income	5,585	3,663	18,797	10,715
	57,394	70,349	249,245	135,224
Total non-interest income	432,215	513,952	1,326,961	1,366,878

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26. Non-interest income (continued)

	The Company		The Company	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Fee income:				
Management fees	2,607	2,409	7,561	7,523
Net realised loss from sale of:				
Financial assets at fair value through profit or loss	(15)	-	(66)	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	193	-	1,150	-
Subsidiary companies	214,422	212,314	681,419	648,555
Net unrealised gain on revaluation of:				
Derivative financial instruments	49	180	155	525
Other income:				
Gain from distribution on liquidation of subsidiary	-	190,156	21	190,156
Other non-operating income	21	5	47	5
Total non-interest income	217,277	405,064	690,287	846,764

27. Overhead expenses

	The Group		The Group	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	304,123	288,535	886,850	866,122
- Medical expenses	8,938	9,089	21,976	24,793
- Training and convention expenses	4,867	5,400	17,538	18,785
- Staff welfare	3,058	3,153	8,012	7,678
- Others	13,363	16,072	55,311	30,404
	334,349	322,249	989,687	947,782
<u>Establishment costs</u>				
- Depreciation of property and equipment	34,939	37,980	103,896	95,006
- Amortisation of intangible assets	14,726	20,501	45,024	61,965
- Rental of premises	16,431	19,763	50,508	63,948
- Information technology expenses	47,477	45,406	137,904	130,839
- Security services	7,425	7,954	21,245	20,768
- Electricity, water and sewerage	6,958	6,448	19,521	20,491
- Hire of plant and machinery	3,167	3,196	9,301	9,539
- Others	9,670	9,943	28,246	26,926
	140,793	151,191	415,645	429,482
<u>Marketing expenses</u>				
- Advertisement and publicity	11,073	9,618	23,015	29,684
- Sales commission and credit card related fees	30,038	26,193	94,909	82,729
- Others	7,521	6,314	26,751	18,579
	48,632	42,125	144,675	130,992
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,962	4,866	14,795	13,958
- Stationery and printing expenses	3,792	4,566	11,244	11,642
- Professional fees	22,844	20,136	65,999	62,239
- Insurance fees	10,818	10,555	32,156	31,895
- Stamp, postage and courier	4,732	5,353	11,454	13,349
- Credit card fees	10,412	9,807	31,633	30,552
- Travelling and transport expenses	1,180	1,148	3,536	3,160
- Registration and license fees	2,397	2,624	7,405	7,714
- Brokerage and commission	2,420	2,127	6,241	5,567
- Others	12,124	15,820	30,852	34,818
	76,681	77,002	215,315	214,894
	600,455	592,567	1,765,322	1,723,150

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27. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	6,561	9,409	17,533	17,336
- Medical expenses	45	27	106	87
- Training and convention expenses	15	5	41	20
- Staff welfare	152	139	447	401
- Others	3,353	1,174	10,033	1,511
	<u>10,126</u>	<u>10,754</u>	<u>28,160</u>	<u>19,355</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	286	233	856	537
- Amortisation of intangible assets	-	8	1	12
- Rental of premises	235	279	704	627
- Information technology expenses	55	43	117	93
- Electricity, water and sewerage	15	6	37	34
- Hire of machinery	-	1	-	6
- Others	67	47	143	96
	<u>658</u>	<u>617</u>	<u>1,858</u>	<u>1,405</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	8	29	23
- Stationery and printing expenses	7	5	31	26
- Professional fees	385	303	870	699
- Management fees	692	562	1,730	1,688
- Travelling and transport expenses	13	22	44	56
- Others	164	216	502	561
	<u>1,269</u>	<u>1,116</u>	<u>3,206</u>	<u>3,053</u>
	<u>12,053</u>	<u>12,487</u>	<u>33,224</u>	<u>23,813</u>

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

	The Group		The Group	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Stage 1 - 12 months ECL	(19,571)	-	(63,119)	-
- Stage 2 - Lifetime ECL not credit impaired	7,410	-	(1,366)	-
- Stage 3 - Lifetime ECL credit impaired	67,201	-	193,427	-
- Collective assessment allowance	-	72,202	-	228,414
- Individual assessment allowance	-	(2,768)	-	13,329
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Stage 1 - 12 months ECL	(6)	-	(13)	-
- Stage 3 - Lifetime ECL credit impaired	(23)	-	(38)	-
- Collective assessment allowance	-	(22)	-	2
- Individual assessment allowance	-	(68)	-	(173)
Writeback of impairment losses on other assets:				
- Stage 1 - 12 months ECL	(30)	-	(24)	-
- Stage 3 - Lifetime ECL credit impaired	-	-	(85)	-
- Individual assessment allowance	-	(183)	-	(231)
Credit impaired/impaired loans, advances and financing:				
- written off	4,670	4,539	13,761	15,118
- recovered from bad debt written off	(55,045)	(61,114)	(177,437)	(189,767)
	<u>4,606</u>	<u>12,586</u>	<u>(34,894)</u>	<u>66,692</u>

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29. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group is also required to maintain CCB of up to 2.500% 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 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier 1 (CET 1) capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to. The 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.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2019	30/06/2018	31/03/2019	30/06/2018	31/03/2019	30/06/2018
Before deducting proposed dividends						
CET 1 capital ratio	12.620%	13.113%	12.426%	12.545%	26.546%	33.073%
Tier 1 capital ratio	13.586%	13.797%	13.232%	12.997%	26.546%	33.073%
Total capital ratio	16.444%	16.752%	16.432%	16.301%	31.097%	37.619%
After deducting proposed dividends						
CET 1 capital ratio	12.620%	12.614%	12.426%	11.949%	26.546%	29.115%
Tier 1 capital ratio	13.586%	13.298%	13.232%	12.401%	26.546%	29.115%
Total capital ratio	16.444%	16.253%	16.432%	15.706%	31.097%	33.661%

(b) The components of CET 1, Tier 1 and Tier 2 capital under the Capital Components Framework are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2019	30/06/2018	31/03/2019	30/06/2018	31/03/2019	30/06/2018
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET 1 capital						
Share capital	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	15,259,366	15,184,533	11,222,318	11,212,525	192,445	250,085
Other reserves	822,798	868,134	267,348	298,837	2,129	(3,355)
Less: Treasury shares	(729,361)	(732,267)	(729,361)	(732,267)	-	-
Less: Other intangible assets	(122,395)	(152,541)	(107,646)	(137,166)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,797)	(31,672)
Less: Deferred tax assets	(41,586)	(53,067)	(28,689)	(47,908)	(95,978)	(87,582)
Less: Investment in subsidiary companies/associated company/joint venture	(4,121,280)	(3,830,517)	(2,727,377)	(2,778,569)	(200)	(200)
Total CET 1 capital	16,975,293	17,192,026	13,864,109	13,782,968	320,549	380,226
Additional Tier 1 capital						
Multi-currency Additional Tier 1 capital securities	799,491	399,393	799,491	399,393	-	-
Innovative Tier 1 capital securities	499,059	497,562	499,059	497,562	-	-
Additional Tier 1 capital before regulatory adjustments	1,298,550	896,955	1,298,550	896,955	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)	-	-
Additional Tier 1 capital after regulatory adjustments	1,298,550	896,955	898,550	496,955	-	-
Total Tier 1 capital	18,273,843	18,088,981	14,762,659	14,279,923	320,549	380,226

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29. Capital adequacy (continued)

(b) The components of CET 1, Tier 1 and Tier 2 capital under the Capital Components Framework are as follows: (continued)

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2019	30/06/2018	31/03/2019	30/06/2018	31/03/2019	30/06/2018
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier 2 capital						
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	1,536,149	-	1,263,156	-	-	-
Collective assessment allowance ^ and regulatory reserves #	-	1,375,082	-	1,130,670	-	2,266
General provision *	-	-	-	-	4,952	-
Subordinated obligations	2,499,934	2,499,820	2,499,934	2,499,820	50,000	50,000
Less: Phase out adjustment	(191,967)	-	(191,967)	-	-	-
Total Tier 2 capital	<u>3,844,116</u>	<u>3,874,902</u>	<u>3,571,123</u>	<u>3,630,490</u>	<u>54,952</u>	<u>52,266</u>
Total capital	<u>22,117,959</u>	<u>21,963,883</u>	<u>18,333,782</u>	<u>17,910,413</u>	<u>375,501</u>	<u>432,492</u>

Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM842,572,000 (2018: RM741,694,000), Hong Leong Bank Berhad of RM695,730,000 (2018: RM637,098,000) and Hong Leong Investment Bank Berhad of RM Nil (2018: RM2,071,000) respectively.

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

* Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance, measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2019	30/06/2018	31/03/2019	30/06/2018	31/03/2019	30/06/2018
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk *	122,891,880	118,853,998	101,052,458	98,504,099	396,190	407,598
Market risk	3,050,527	3,850,444	3,260,159	4,140,291	536,406	457,231
Operational risk	8,565,808	8,403,939	7,258,890	7,226,134	274,921	284,840
Total RWA	<u>134,508,215</u>	<u>131,108,381</u>	<u>111,571,507</u>	<u>109,870,524</u>	<u>1,207,517</u>	<u>1,149,669</u>

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM171,000 is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	31/03/2019	30/06/2018
Before deducting proposed dividends		
CET 1 capital ratio	10.452%	10.461%
Tier 1 capital ratio	12.289%	12.404%
Total capital ratio	<u>15.286%</u>	<u>15.477%</u>
After deducting proposed dividends		
CET 1 capital ratio	10.452%	10.461%
Tier 1 capital ratio	12.289%	12.404%
Total capital ratio	<u>15.286%</u>	<u>15.477%</u>

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30. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 31 March 2019.

31. 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) Hong Leong Equities Sdn Bhd, a wholly-owned subsidiary of HLFGB, was dissolved on 27 November 2018.
- (b) On 7 March 2019, Hong Leong Capital Berhad, a subsidiary of HLFGB, announced that it had placed HLCB Assets Sdn Bhd ("HLCB Assets") and HLG Capital Markets Sdn Bhd ("HLGCM"), its wholly-owned subsidiaries, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. HLCB Assets and HLGCM were investment holding companies and will become dormant following the disposal of all investments upon the commencement of the winding-up. There are no future plans for the subsidiaries.
- (c) On 30 April 2019, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, announced that HLF Credit (Perak) Bhd ("HLFC"), a wholly-owned subsidiary of HLB, had placed Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd (collectively referred to as "Companies"), wholly-owned subsidiaries of HLFC, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. The Companies are currently dormant and there are no future plans to activate the Companies.

32. 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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33. 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 also not secured over the assets of the Group.

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

	The Group	
	31/03/2019	30/06/2018
	RM '000	RM '000
Direct credit substitutes	100,484	109,341
Certain transaction related contingent items	1,384,391	1,286,782
Short-term self liquidating trade related contingencies	729,785	836,785
Irrevocable commitments to extend credit:		
- less than one year	19,629,228	16,074,689
- more than one year	16,852,012	14,301,856
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	733,726	662,442
Foreign exchange related contracts:		
- less than one year	42,688,437	45,991,115
- one year to less than five years	4,219,015	2,640,932
- five years and above	297,555	517,407
Interest rate related contracts:		
- less than one year	84,499,902	29,754,327
- one year to less than five years	41,866,603	50,035,129
- five years and above	4,436,839	7,161,925
Equity related contracts:		
- less than one year	449,371	306,258
- one year to less than five years	265,198	510,502
Credit related contracts:		
- five years and above	47,411	-
Unutilised credit card lines	7,374,504	6,908,565
Total	225,574,461	177,098,055

	The Company	
	31/03/2019	30/06/2018
	RM '000	RM '000
Interest rate related contracts:		
- less than one year	100,000	-
- one year to less than five years	-	100,000
	100,000	100,000

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

The size of the fund was above the minimum of RM1 million as at 31 March 2019 (2018: RM1 million).

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34. 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 instruments 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.

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

The Group 31 March 2019	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<u>Recurring fair value measurements</u>				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	12,782,257	-	12,782,257
- Quoted securities	4,083,733	-	-	4,083,733
- Unquoted securities	-	8,386,748	453,295	8,840,043
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	11,288,845	-	11,288,845
- Quoted securities	4,019,490	-	-	4,019,490
- Unquoted securities	-	10,487,478	32,534	10,520,012
Derivative financial instruments	1,708	563,167	4,315	569,190
	<u>8,104,931</u>	<u>43,508,495</u>	<u>490,144</u>	<u>52,103,570</u>

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34. 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 Group 31 March 2019	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	5,092	672,925	4,315	682,332
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,984,741	-	2,984,741
	<u>5,092</u>	<u>3,657,666</u>	<u>4,315</u>	<u>3,667,073</u>

30 June 2018

Recurring fair value measurements

Financial assets

Financial assets held-for-trading				
- Money market instruments	-	8,153,872	-	8,153,872
- Quoted securities	1,265,665	-	-	1,265,665
- Unquoted securities	-	1,117,344	-	1,117,344
Financial investments available-for-sale				
- Money market instruments	-	12,313,774	-	12,313,774
- Quoted securities	6,847,336	-	-	6,847,336
- Unquoted securities	-	18,101,525	469,904	18,571,429
Derivative financial instruments	1,221	956,098	13,876	971,195
	<u>8,114,222</u>	<u>40,642,613</u>	<u>483,780</u>	<u>49,240,615</u>

Financial liabilities

Derivative financial instruments	4,913	1,063,351	13,876	1,082,140
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	<u>4,913</u>	<u>4,230,501</u>	<u>13,876</u>	<u>4,249,290</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2018: RM Nil).

The Company 31 March 2019	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
- Quoted securities	6,271	-	-	6,271
	<u>6,271</u>	<u>-</u>	<u>-</u>	<u>6,271</u>
Financial liabilities				
Derivative financial instruments	-	173	-	173
	<u>-</u>	<u>173</u>	<u>-</u>	<u>173</u>

30 June 2018

Recurring fair value measurements

Financial liabilities

Derivative financial instruments	-	327	-	327
	<u>-</u>	<u>327</u>	<u>-</u>	<u>327</u>

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34. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Financial assets				Financial liability
	Financial assets at fair value through profit or loss RM '000	Financial investments at fair value through other comprehensive income RM '000	Financial investments available-for-sale RM '000	Derivative financial instruments RM '000	Derivative financial instruments
					RM '000
The Group					
31 March 2019					
As at beginning of the financial period					
- as previously stated	-	-	469,904	13,876	13,876
- effect of adopting MFRS 9	453,295	33,477	(469,904)	-	-
As restated	453,295	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	-	-	-	(9,168)	(9,168)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	1,562	1,562
Settlements	-	-	-	(1,955)	(1,955)
As at end of the financial period	453,295	32,534	-	4,315	4,315
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2019	-	-	-	(9,168)	(9,168)
Total loss recognised in other comprehensive income relating to assets held on 31 March 2019	-	(943)	-	-	-

	Financial assets			Financial liability
	Financial investments available-for-sale RM '000	Derivative financial instruments RM '000	Derivative financial instruments RM '000	Derivative financial instruments
				RM '000
The Group				
30 June 2018				
As at beginning of the financial year	457,152	8,568	8,568	
Fair value changes recognised in statements of income	-	4,672	4,672	
Net fair value changes recognised in other comprehensive income	162,113	-	-	
Purchases	-	6,672	6,672	
Disposal	(149,361)	-	-	
Settlements	-	(6,036)	(6,036)	
As at end of the financial year	469,904	13,876	13,876	
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	-	4,672	4,672	
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	-	-	

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35. Change in accounting policies

With effect from financial year beginning on/after 1 July 2018, the Group and the Company apply MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and include requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

The following table analyses the impact of transition on the Statements of Financial Position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018:

Impact of adopting MFRS 9 as at 1 July 2018

	The Group RM '000
Cash and short-term funds	
Closing balance under MFRS 139 as at 30 June 2018	9,890,071
- recognition of expected credit losses under MFRS 9	(463)
Opening balance under MFRS 9 as at 1 July 2018	<u>9,889,608</u>
Deposits and placements with banks and other financial institutions	
Closing balance under MFRS 139 as at 30 June 2018	10,196,421
- recognition of expected credit losses under MFRS 9	(303)
Opening balance under MFRS 9 as at 1 July 2018	<u>10,196,118</u>
Securities purchased under resale agreements	
Closing balance under MFRS 139 as at 30 June 2018	35,126
- recognition of expected credit losses under MFRS 9	(2)
Opening balance under MFRS 9 as at 1 July 2018	<u>35,124</u>
Financial assets at fair value through profit or loss	
Closing balance under MFRS 139 as at 30 June 2018	-
- redesignation from financial assets held-for-trading	1,134,571
- redesignation from financial investments available-for-sale	19,579,248
- redesignation from financial investments held-to-maturity	641,941
- unrealised gain on unquoted equity instruments	15,707
- unrealised gain on redesignation from financial investments available-for-sale	1,135
- unrealised gain on redesignation from financial investments held-to-maturity	9,530
Opening balance under MFRS 9 as at 1 July 2018	<u>21,382,132</u>
Financial assets held-for-trading	
Closing balance under MFRS 139 as at 30 June 2018	10,536,881
- redesignation to financial assets at fair value through profit or loss	(7,982,521)
- redesignation to financial investments at fair value through other comprehensive income	(2,554,360)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>
Financial investments at fair value through other comprehensive income	
Closing balance under MFRS 139 as at 30 June 2018	-
- redesignation from financial investments available-for-sale	20,807,950
- redesignation from financial assets held-for-trading	2,554,360
- redesignation from financial investments held-to-maturity	3,169,316
- unrealised gain on financial investments	10,914
- unrealised gain on redesignation from financial investments held-to-maturity	1,909
- recognition of expected credit losses under MFRS 9	(3,380)
Opening balance under MFRS 9 as at 1 July 2018	<u>26,541,069</u>
Financial investments available-for-sale	
Closing balance under MFRS 139 as at 30 June 2018	37,732,539
- redesignation to financial investments at fair value through other comprehensive income	(13,960,001)
- redesignation to financial investments at amortised cost	(4,193,288)
- redesignation to financial assets at fair value through profit or loss	(19,579,250)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>

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35. Change in accounting policies (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018 (continued)

	The Group RM '000
Financial investments at amortised cost	
Closing balance under MFRS 139 as at 30 June 2018	-
- redesignation from financial investments held-to-maturity	12,084,422
- redesignation from financial investments available-for-sale	4,193,288
- remeasurement of debt instruments at amortised cost	38,776
- recognition of expected credit losses under MFRS 9	(854)
Opening balance under MFRS 9 as at 1 July 2018	<u>16,315,632</u>
Financial investments held-to-maturity	
Closing balance under MFRS 139 as at 30 June 2018	15,895,679
- redesignation to financial assets at fair value through profit or loss	(641,941)
- redesignation to financial investments at fair value through other comprehensive income	(3,169,316)
- redesignation to financial investments at amortised cost	(12,084,422)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>
Loans, advances and financing	
Closing balance under MFRS 139 as at 30 June 2018	128,851,234
- recognition of expected credit losses under MFRS 9	(338,584)
- other classification and measurement	(11)
Opening balance under MFRS 9 as at 1 July 2018	<u>128,512,639</u>
Other receivables	
Closing balance under MFRS 139 as at 30 June 2018	952,570
- recognition of expected credit losses under MFRS 9	(7,600)
Opening balance under MFRS 9 as at 1 July 2018	<u>944,970</u>
Provision for taxation	
Closing balance under MFRS 139 as at 30 June 2018	244,162
- recognition of expected credit losses under MFRS 9	(80,534)
Opening balance under MFRS 9 as at 1 July 2018	<u>163,628</u>
Deferred tax liabilities	
Closing balance under MFRS 139 as at 30 June 2018	78,309
- in respect of unrealised gain/loss on financial investments at fair value through other comprehensive income reserves	14,080
- unrealised gain on redesignation from financial assets at fair value through profit or loss	272
- unrealised gain on redesignation from financial investments at fair value through other comprehensive income	5,020
- recognition of expected credit losses under MFRS 9	(1,422)
- other classification and measurement	(2)
Opening balance under MFRS 9 as at 1 July 2018	<u>96,257</u>
Insurance funds	
Closing balance under MFRS 139 as at 30 June 2018	13,188,787
- unrealised gain on redesignation from financial assets at fair value through profit or loss	9,167
- recognition of expected credit losses under MFRS 9	(3,233)
- deferred tax on unrealised gain on redesignation from financial assets at fair value through profit or loss	(615)
Opening balance under MFRS 9 as at 1 July 2018	<u>13,194,106</u>

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
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35. Change in accounting policies (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018 (continued)

	The Group RM '000
Capital reserves	
Closing balance under MFRS 139 as at 30 June 2018	1,540,421
- transfer from retained profits	6,391
Opening balance under MFRS 9 as at 1 July 2018	<u>1,546,812</u>
Retained profits	
Closing balance under MFRS 139 as at 30 June 2018	13,910,419
- transfer to regulatory reserves	(6,392)
- transfer from fair value reserves	19,725
- unrealised gain on financial assets at fair value through profit or loss	218,214
- recognition of effective interest rate using contractual maturity	28,966
- recognition of expected credit losses under MFRS 9	(282,050)
- deferred tax adjustment on unrealised gain/loss on financial investments at fair value through other comprehensive income	(14,080)
- deferred tax on unrealised gain on redesignation from financial assets at fair value through profit or loss	(2,299)
- tax effect arising from the recognition of expected credit losses under MFRS 9	81,084
- other classification and measurement	(11)
Opening balance under MFRS 9 as at 1 July 2018	<u>13,953,576</u>
Fair value reserve	
Closing balance under MFRS 139 as at 30 June 2018	109,284
- transfer to retained profits	(19,725)
- reversal of unrealised loss on financial investments at fair value through other comprehensive income	5,970
- unrealised gain on redesignation to financial investments at fair value through other comprehensive income	10,914
- day 1 remeasurement of debts at amortised cost	38,776
- unrealised gain on financial assets at fair value through profit or loss transfer to retained profits	(225,875)
- deferred tax in respect of unrealised gain on financial investments at fair value through other comprehensive income	(555)
Opening balance under MFRS 9 as at 1 July 2018	<u>(81,211)</u>
Non-controlling interests	
Closing balance under MFRS 139 as at 30 June 2018	8,875,277
- non-controlling interests share of impact arising from:	
- classification and measurement	19,687
- expected credit loss	(97,264)
- unrealised gain on financial assets at fair value through profit or loss	4,820
- recognition of expected credit losses under MFRS 9	(1,310)
- deferred tax on unrealised gain on redesignation from financial assets at fair value through profit or loss	(1,184)
- tax effect arising from the recognition of expected credit losses under MFRS 9	236
Opening balance under MFRS 9 as at 1 July 2018	<u>8,800,262</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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35. Change in accounting policies (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	30 June 2018 RM '000	Classification and measurement RM '000	Expected credit losses RM '000	1 July 2018 RM '000
Assets				
Cash and short-term funds	9,890,071	-	(463)	9,889,608
Deposits and placements with banks and other financial institutions	10,196,421	-	(303)	10,196,118
Securities purchased under resale agreements	35,126	-	(2)	35,124
Financial assets at fair value through profit or loss	-	21,382,132	-	21,382,132
Financial assets held-for-trading	10,536,881	(10,536,881)	-	-
Financial investments at fair value through other comprehensive income	-	26,544,449	(3,380)	26,541,069
Financial investments available-for-sale	37,732,539	(37,732,539)	-	-
Financial investments at amortised cost	-	16,316,486	(854)	16,315,632
Financial investments held-to-maturity	15,895,679	(15,895,679)	-	-
Derivative financial instruments	971,195	-	-	971,195
Loans, advances and financing	128,851,234	(11)	(338,584)	128,512,639
Clients' and brokers' balances	525,556	-	-	525,556
Other receivables	952,570	-	(7,600)	944,970
Statutory deposits with Central Banks	4,364,982	-	-	4,364,982
Tax recoverable	367	-	-	367
Investment in associated companies	4,538,326	-	-	4,538,326
Investment in joint venture	179,426	-	-	179,426
Property and equipment	1,573,829	-	-	1,573,829
Investment properties	494,164	-	-	494,164
Goodwill	2,410,644	-	-	2,410,644
Intangible assets	168,541	-	-	168,541
Total Assets	229,317,551	77,957	(351,186)	229,044,322
Liabilities				
Deposits from customers	156,882,912	-	-	156,882,912
Deposits and placements of banks and other financial institutions	9,296,395	-	-	9,296,395
Obligations on securities sold under repurchase agreements	3,931,523	-	-	3,931,523
Bills and acceptances payable	544,450	-	-	544,450
Derivative financial instruments	1,082,140	-	-	1,082,140
Clients' and brokers' balances	350,730	-	-	350,730
Payables and other liabilities	11,708,191	-	-	11,708,191
Recourse obligations on loans sold to Cagamas Berhad	202,952	-	-	202,952
Provision for claims	150,478	-	-	150,478
Provision for taxation	244,162	6,952	(87,486)	163,628
Deferred tax liabilities	78,309	19,370	(1,422)	96,257
Borrowings	1,300,371	-	-	1,300,371
Subordinated obligations	2,800,447	-	-	2,800,447
Innovative Tier 1 capital securities	474,612	-	-	474,612
Multi-currency Additional Tier 1 capital securities	401,369	-	-	401,369
Insurance funds	13,188,787	8,552	(3,233)	13,194,106
Total Liabilities	202,637,828	34,874	(92,141)	202,580,561
Equity				
Share capital	2,267,008	-	-	2,267,008
Capital reserves	1,540,421	10,671	(4,280)	1,546,812
Retained profits	13,910,419	232,255	(189,098)	13,953,576
Fair value reserve	109,284	(190,495)	-	(81,211)
Treasury shares for ESOS	(22,686)	-	-	(22,686)
Total Shareholders' Equity	17,804,446	52,431	(193,378)	17,663,499
Non-controlling interests	8,875,277	23,323	(98,338)	8,800,262
Total Equity	26,679,723	75,754	(291,716)	26,463,761
Total Liabilities and Equity	229,317,551	110,628	(383,857)	229,044,322

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

1. Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM859.1 million for the current quarter ended 31 March 2019 as compared to RM942.8 million in the previous corresponding quarter, a decrease of RM83.7 million or 8.9%. The decrease was due to lower contribution across all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM778.7 million for the current quarter ended 31 March 2019 as compared to RM855.1 million in the previous corresponding quarter, a decrease of RM76.4 million or 8.9%. The decrease was mainly due to lower revenue of RM89.2 million and lower writeback of allowance for impairment losses on financial investments of RM0.8 million. This is however mitigated by lower allowance for impairment losses on loans, advances and financing of RM8.3 million, lower operating expenses of RM1.1 million and higher share of profit from associated companies of RM4.2 million.

HLA Holdings Group recorded a profit before tax of RM83.8 million for the current quarter ended 31 March 2019 as compared to RM95.5 million in the previous corresponding quarter, a decrease of RM11.7 million or 12.3%. The decrease was mainly due to lower life fund surplus of RM8.7 million, lower share of profit from associated company of RM9.3 million and higher operating expenses of RM5.3 million. This is however mitigated by higher revenue of RM11.1 million and lower allowance for impairment losses on financial investments of RM0.5 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 31 March 2019 as compared to RM20.6 million in the previous corresponding quarter, a decrease of RM2.2 million or 10.7%. The decrease was mainly due to 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 RM2,665.7 million for the period ended 31 March 2019 as compared to RM2,708.0 million in the previous corresponding period, a decrease of RM42.3 million or 1.6%. The decrease was mainly due to lower contribution across all the operation divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,453.0 million for the period ended 31 March 2019 as compared to RM2,468.6 million in the previous corresponding period, a decrease of RM15.6 million or 0.6%. The decrease was mainly due to lower revenue of RM105.2 million, higher operating expenses of RM11.9 million and lower writeback of allowance for impairment losses on financial investments of RM2.1 million. This was however mitigated by higher writeback of impairment losses on loans, advances and financing of RM101.5 million and higher share of profit from associated companies of RM2.1 million.

HLA Holdings Group recorded a profit before tax of RM224.7 million for the period ended 31 March 2019 as compared to RM247.9 million in the previous corresponding period, a decrease of RM23.2 million or 9.4%. The decrease was mainly due to higher operating expenses of RM23.1 million and lower share of profit from associated company of RM7.5 million. This is however mitigated by higher revenue of RM2.4 million, lower allowance for impairment losses on financial investments of RM0.9 million and higher life fund surplus of RM4.1 million.

Hong Leong Capital Group recorded a profit before tax of RM56.0 million for the period ended 31 March 2019 as compared to RM58.0 million in the previous corresponding period, a decrease of RM2.0 million or 3.4%. 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 March 2019 is 9.827%, 10.926% and 13.106% 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 tax of RM859.1 million for the current quarter ended 31 March 2019 as compared to RM877.5 million in the preceding quarter, a decrease of RM18.4 million or 2.1%. The decrease was mainly due to lower contribution from the commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM778.7 million for the current quarter ended 31 March 2019 as compared to RM823.2 million in the preceding quarter, a decrease of RM44.5 million or 5.4%. The decrease was mainly due to higher operating expenses of RM14.6 million and higher allowance for impairment losses on loans, advances and financing of RM62.8 million. This was however mitigated by higher revenue of RM24.6 million, higher writeback of allowance for impairment losses on financial investments of RM1.0 million and higher share of profit from associated companies of RM7.3 million.

HLA Holdings Group recorded a profit before tax of RM83.8 million for the current quarter ended 31 March 2019 as compared to RM58.7 million in the preceding quarter, an increase of RM25.1 million or 42.8%. The increase was mainly due to higher revenue of RM33.2 million and higher share of profit from associated company of RM0.5 million. This was however offset by higher operating expenses of RM5.3 million and lower life fund surplus of RM3.3 million.

Hong Leong Capital Group recorded a profit before tax of RM18.4 million for the current quarter ended 31 March 2019 as compared to RM14.8 million in the preceding quarter, an increase of RM3.6 million or 24.3%. This was mainly due to higher contribution from the investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
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4. Prospects for the current financial 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	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM '000	RM '000	RM '000	RM '000
Income tax	168,850	172,908	493,861	488,407
Transfer (to)/from deferred tax	(9,725)	8,310	(29,628)	18,126
	159,125	181,218	464,233	506,533
Prior year (over)/under provision	(1,990)	55	(2,018)	55
	157,135	181,273	462,215	506,588

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM '000	RM '000	RM '000	RM '000
Income tax	2,820	2,101	4,650	4,040
Transfer from/(to) deferred tax	26	11	(1)	(14)
	2,846	2,112	4,649	4,026

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 financial period under review other than those purchased or disposed in the ordinary course of business.

9. Status of corporate proposals

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

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

	Note	The Group		The Company	
		As at 31/03/2019 RM '000	As at 30/06/2018 RM '000	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
Term loans	(i)	150,062	350,108	150,062	350,108
Revolving credit	(ii)	183,150	210,222	183,150	210,222
Medium term notes	(iii)	220,306	570,431	250,365	655,994
Commercial papers	(iii)	-	169,610	-	169,610
Senior notes	(iv)	375,828	-	400,724	-
		<u>929,346</u>	<u>1,300,371</u>	<u>984,301</u>	<u>1,385,934</u>
Repayment of term loans					
- less than one year		150,062	350,108	150,062	350,108
Repayment of revolving credit					
- less than one year		183,150	210,222	183,150	210,222
Repayment of medium term notes					
- less than one year		387	377,355	387	402,703
- one to three years		219,919	193,076	249,978	253,291
Repayment of commercial papers					
- less than one year		-	169,610	-	169,610
Repayment of senior notes					
- one to three years		375,828	-	400,724	-
		<u>929,346</u>	<u>1,300,371</u>	<u>984,301</u>	<u>1,385,934</u>

- (i) The Company has an unsecured short-term loan facility of RM150.0 million maturing on 26 April 2019. The term loan with one month interest period bears an interest rate of 3.76% (2018: 3.51% to 3.76%) per annum.
- (ii) The unsecured revolving credit facilities carried an interest rate of 3.69% to 3.91% (2018: 3.45% to 4.38%) per annum and repayable within 12 months.
- (iii) 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 interest rate ranging from 3.75% to 3.78% (2018: 3.66% to 3.81%).

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% (2018: 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.

- (iv) The Group and the Company has the following senior notes:

	The Group		The Company	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
RM400.0 million senior notes, at par	375,000	-	400,000	-
Add: Interest payable	828	-	906	-
	<u>375,828</u>	<u>-</u>	<u>400,906</u>	<u>-</u>
Less: Unamortised discounts	-	-	(182)	-
	<u>375,828</u>	<u>-</u>	<u>400,724</u>	<u>-</u>

On 6 September 2018, the Company issued RM400.0 million in aggregate principal amount of Senior Notes ("the Notes") out of its multi-currency perpetual notes programme. The Notes were issued for a period of three years with a coupon rate of 4.35% per annum.

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

	Note	The Group		The Company	
		As at 31/03/2019 RM '000	As at 30/06/2018 RM '000	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	871,000	861,000	-	-
Add: Interest payable		10,333	964	-	-
		<u>881,333</u>	<u>861,964</u>	-	-
Less: Unamortised discounts		(33)	(91)	-	-
		<u>881,300</u>	<u>861,873</u>	-	-
RM500.0 million Tier 2 subordinated debt, at par	(b)	500,000	500,000	-	-
Add: Interest payable		3,205	8,815	-	-
		<u>503,205</u>	<u>508,815</u>	-	-
Less: Unamortised discounts		(1,133)	(1,266)	-	-
		<u>502,072</u>	<u>507,549</u>	-	-
RM400.0 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	379,500	379,500	-	-
Add: Profit payable		5,240	646	-	-
		<u>384,740</u>	<u>380,146</u>	-	-
Less: Unamortised discounts		(31)	(54)	-	-
		<u>384,709</u>	<u>380,092</u>	-	-
RM500.0 million Tier 2 subordinated notes, at par	(d)	500,000	500,000	-	-
Add: Interest payable		6,444	395	-	-
		<u>506,444</u>	<u>500,395</u>	-	-
Less: Unamortised discounts		(33)	(89)	-	-
		<u>506,411</u>	<u>500,306</u>	-	-
RM50.0 million Tier 2 subordinated notes, at par	(e)	50,000	50,000	-	-
Add: Interest payable		1,053	399	-	-
		<u>51,053</u>	<u>50,399</u>	-	-
Less: Unamortised discounts		(95)	(109)	-	-
		<u>50,958</u>	<u>50,290</u>	-	-
RM500.0 million Tier 2 subordinated notes, at par	(f)	500,000	500,000	500,000	500,000
Add: Interest payable		6,483	405	6,483	405
		<u>506,483</u>	<u>500,405</u>	<u>506,483</u>	<u>500,405</u>
Less: Unamortised discounts		(32)	(68)	(658)	(806)
		<u>506,451</u>	<u>500,337</u>	<u>505,825</u>	<u>499,599</u>
		<u>2,831,901</u>	<u>2,800,447</u>	<u>505,825</u>	<u>499,599</u>

(a) On 22 June 2012, Hong Leong Bank Berhad ("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.

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

- (b) On 19 September 2012, Hong Leong Assurance Berhad (“HLA”) has created and issued up to RM500.0 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, HLA completed its RM500.0 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 4.50% 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 RM400.0 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 RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

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

- (d) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500.0 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 RM50.0 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 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.

- (f) On 25 June 2018, the Company had issued RM500.0 million nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by HLB.

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12. Innovative Tier 1 capital securities

	The Group	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
RM500.0 million Innovative Tier 1 capital securities, at par	453,200	463,200
Add: Interest payable	2,071	11,605
	455,271	474,805
Less: Unamortised discounts	(941)	(2,439)
Fair value adjustments on completion of business combination accounting	394	2,246
	454,724	474,612

On 10 September 2009, Promino Sdn Bhd ("Promino"), an indirect subsidiary of the Company, issued the first tranche of Innovative Tier 1 capital securities ("IT-1 Capital Securities") amounting to RM500.0 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 RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 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-1 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.

13. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000	As at 31/03/2019 RM '000	As at 30/06/2018 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	400,000	800,000	400,000
Add: Interest payable	7,151	1,834	7,151	1,834
	807,151	401,834	807,151	401,834
Less: Unamortised discounts	(453)	(465)	(1,663)	(1,083)
	806,698	401,369	805,488	400,751

On 30 November 2017, the Company issued RM400.0 million nominal value of Multi-currency 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 an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

Subsequently, on 29 March 2019, the Company issued a second tranche of RM400.0 million nominal value Capital Securities. The Capital Securities carry a distribution rate of 4.82% per annum, perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

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14. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2019

The Group

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	30,842,228	102,734	(137,624)
(ii) 1 year to 3 years	469,775	743	-
- Swaps			
(i) Less than 1 year	8,520,293	51,734	(34,263)
(ii) 1 year to 3 years	2,749,279	31,766	(44,509)
(iii) More than 3 years	1,297,516	121,455	(10,090)
- Options			
(i) Less than 1 year	3,325,652	10,449	(7,594)
- Spots			
(i) Less than 1 year	264	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	65,410,535	1,711	(5,792)
- Swaps			
(i) Less than 1 year	19,089,367	29,320	(28,097)
(ii) 1 year to 3 years	26,260,887	97,173	(163,123)
(iii) More than 3 years	19,742,220	97,046	(228,976)
- Cross currency swaps			
(i) 1 year to 3 years	111,575	12,009	-
(ii) More than 3 years	188,760	8,168	(17,382)
Equity related contracts			
(i) Less than 1 year	449,371	1,888	(1,888)
(ii) 1 year to 3 years	237,568	1,263	(1,263)
(iii) More than 3 years	27,630	1,164	(1,164)
Credit related contracts			
(i) More than 3 years	47,411	567	(567)
Total	178,770,331	569,190	(682,332)

The Company

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	100,000	-	(173)
Total	100,000	-	(173)

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14. Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2018

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	33,252,323	396,925	(300,709)
(ii) 1 year to 3 years	109,039	-	(7,832)
- Swaps			
(i) Less than 1 year	10,400,940	167,597	(307,060)
(ii) 1 year to 3 years	1,340,534	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
- Options			
(i) Less than 1 year	2,337,852	15,975	(12,834)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	17,298,574	1,185	(4,048)
(ii) 1 year to 3 years	6,865,450	404	(871)
- Swaps			
(i) Less than 1 year	12,455,753	7,626	(13,201)
(ii) 1 year to 3 years	29,368,386	96,715	(97,945)
(iii) More than 3 years	20,663,773	115,091	(251,216)
- Cross currency swaps			
(i) 1 year to 3 years	80,750	5,031	-
(ii) More than 3 years	218,695	23,518	(15,846)
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	483,187	6,756	(6,738)
(iii) More than 3 years	27,315	3,212	(3,212)
Total	136,917,595	971,195	(1,082,140)

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	-	(327)
Total	100,000	-	(327)

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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 period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM104,279,000 (2018: RM57,213,000) and RM128,074,074,000 (2018: RM86,167,241,000) 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 period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM580,609,000 (2018: RM1,049,517,000). 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 instruments provide a basis for comparison with instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

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14. Off-balance sheet financial instruments (continued)

Liquidity risk

Derivatives

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

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income 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 statements of income. 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 statements of income.

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 statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

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. Dividend

A second single-tier interim dividend of 29 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share: 29 sen per share
- (ii) Previous corresponding period: 27 sen per share
- (iii) Entitlement date: 14 June 2019
- (iv) Payment date: 26 June 2019

For the financial period ended 31 March 2019, a total single-tier dividend of 42 sen per share was declared (31 March 2018: 40 sen per share).

17. Earnings per share

- (a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Net profit attributable to equity holders	463,415	502,557	1,450,657	1,453,152
Weighted average number of ordinary shares ('000)	1,144,213	1,143,552	1,144,620	1,143,552
Basic earnings per share (sen)	40.5	43.9	126.7	127.1

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17. Earnings per share (continued)

(a) Basic earnings per share (continued)

	The Company		The Company	
	Current quarter ended 31/03/2019 RM '000	Last year quarter ended 31/03/2018 RM '000	Current year to date 31/03/2019 RM '000	Last year to date 31/03/2018 RM '000
Net profit attributable to equity holders	190,747	377,542	611,636	777,249
Weighted average number of ordinary shares ('000)	1,146,510	1,147,516	1,147,065	1,147,516
Basic earnings per share (sen)	16.6	32.9	53.3	67.7

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial period as there are no dilutive potential ordinary shares.

Dated this 28 May 2019