

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>THE GROUP</b>		
<b>Assets</b>		
Cash and short-term funds	13,835,450	8,613,481
Deposits and placements with banks and other financial institutions	8,799,836	10,062,870
Financial assets at fair value through profit or loss	21,328,413	24,422,067
Financial investments at fair value through other comprehensive income	22,646,164	24,965,425
Financial investments at amortised cost	15,882,471	15,888,863
Derivative financial instruments	654,706	570,185
Loans, advances and financing	138,248,985	137,057,616
Clients' and brokers' balances	383,904	482,445
Other receivables	944,864	1,332,662
Statutory deposits with Central Banks	4,729,558	4,626,092
Tax recoverable	4,289	224
Investment in associated companies	5,335,889	5,280,376
Property and equipment	1,536,178	1,540,533
Right-of-use assets	283,868	-
Investment properties	489,500	489,500
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	131,744	139,628
<b>Total Assets</b>	<b>237,646,463</b>	<b>237,882,611</b>
<b>Liabilities</b>		
Deposits from customers	161,904,115	161,887,885
Investment accounts of customers	4,825	2,235
Deposits and placements of banks and other financial institutions	7,884,663	9,780,544
Obligations on securities sold under repurchase agreements	2,085,791	2,333,916
Bills and acceptances payable	279,126	393,022
Derivative financial instruments	838,428	732,443
Clients' and brokers' balances	191,585	282,521
Payables and other liabilities	14,125,796	13,234,447
Lease liabilities	264,048	-
Recourse obligations on loans/financing sold to Cagamas Berhad	452,002	253,591
Provision for claims	132,671	132,442
Provision for taxation	175,563	113,705
Deferred tax liabilities	224,125	230,248
Borrowings	1,406,206	1,398,277
Subordinated obligations	2,173,880	2,160,432
Innovative Tier 1 capital securities	-	464,273
Multi-currency Additional Tier 1 capital securities	806,767	806,376
Insurance funds	15,502,422	15,075,217
<b>Total Liabilities</b>	<b>208,452,013</b>	<b>209,281,574</b>
<b>Equity</b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,703,041	1,678,535
Retained profits	15,574,941	15,196,453
Fair value reserve	117,472	116,503
Treasury shares for ESOS	(193,011)	(161,909)
<b>Total Shareholders' Equity</b>	<b>19,469,451</b>	<b>19,096,590</b>
Non-controlling interests	9,724,999	9,504,447
<b>Total Equity</b>	<b>29,194,450</b>	<b>28,601,037</b>
<b>Total Liabilities and Equity</b>	<b>237,646,463</b>	<b>237,882,611</b>
<b>Commitments and Contingencies</b>	<b>161,917,430</b>	<b>174,185,694</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	17.13	16.78

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
<b>THE GROUP</b>				
Interest income	1,633,829	1,656,154	1,633,829	1,656,154
Interest income for financial assets at fair value through profit or loss	81,961	110,622	81,961	110,622
Interest expense	(959,613)	(1,021,455)	(959,613)	(1,021,455)
Net interest income	756,177	745,321	756,177	745,321
Income from Islamic banking business	199,791	171,076	199,791	171,076
Non-interest income	370,198	466,768	370,198	466,768
Net income	1,326,166	1,383,165	1,326,166	1,383,165
Overhead expenses	(582,158)	(591,513)	(582,158)	(591,513)
Operating profit before allowances	744,008	791,652	744,008	791,652
Writeback of/(allowance for) impairment losses on loans, advances and financing and other losses	8,765	(18,805)	8,765	(18,805)
Allowance for impairment losses on other assets	(129)	(1,114)	(129)	(1,114)
	752,644	771,733	752,644	771,733
Share of results of associated companies	161,005	157,373	161,005	157,373
Profit before taxation	913,649	929,106	913,649	929,106
Taxation	(170,175)	(159,499)	(170,175)	(159,499)
Net profit for the financial period	<u>743,474</u>	<u>769,607</u>	<u>743,474</u>	<u>769,607</u>
Attributable to:				
Owners of the parent	490,201	505,695	490,201	505,695
Non-controlling interests	253,273	263,912	253,273	263,912
Net profit for the financial period	<u>743,474</u>	<u>769,607</u>	<u>743,474</u>	<u>769,607</u>
Earnings per share - basic (sen)	<u>43.1</u>	<u>44.2</u>	<u>43.1</u>	<u>44.2</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	743,474	769,607	743,474	769,607
Other comprehensive loss in respect of:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated companies	(7,653)	5,397	(7,653)	5,397
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	11,772	33,822	11,772	33,822
- Changes in expected credit losses	56	-	56	-
Net fair value changes in cash flow hedge	(811)	(729)	(811)	(729)
Currency translation differences	(103,841)	(40,427)	(103,841)	(40,427)
Income tax relating to components of other comprehensive income	(2,199)	(12,574)	(2,199)	(12,574)
Other comprehensive loss for the financial period, net of tax	(102,676)	(14,511)	(102,676)	(14,511)
Total comprehensive income for the financial period, net of tax	640,798	755,096	640,798	755,096
Attributable to:				
Owners of the parent	422,715	499,518	422,715	499,518
Non-controlling interests	218,083	255,578	218,083	255,578
	640,798	755,096	640,798	755,096

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019**

	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	28,970	84,496
Deposits and placements with banks and other financial institutions	3,360	3,360
Other receivables	2,815	4,157
Deferred tax assets	206	135
Investment in subsidiary companies	19,516,613	19,498,076
Property and equipment	4,118	4,179
Right-of-use assets	6,660	-
Intangible assets	3	3
<b>Total Assets</b>	<b>19,562,745</b>	<b>19,594,406</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	-	135
Payables and other liabilities	16,562	33,918
Lease liabilities	6,483	-
Provision for taxation	639	766
Borrowings	1,461,191	1,453,881
Subordinated obligations	1,618,470	1,600,205
Multi-currency Additional Tier 1 capital securities	805,696	805,236
<b>Total Liabilities</b>	<b>3,909,041</b>	<b>3,894,141</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	274,113	271,667
Retained profits	13,293,170	13,313,734
Treasury shares for ESOS	(180,587)	(152,144)
<b>Total Equity</b>	<b>15,653,704</b>	<b>15,700,265</b>
<b>Total Liabilities and Equity</b>	<b>19,562,745</b>	<b>19,594,406</b>
<b>Commitments and Contingencies</b>	<b>-</b>	<b>100,000</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2019	quarter ended 30/09/2018	to date 30/09/2019	to date 30/09/2018
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	27,966	11,646	27,966	11,646
Interest expense	(42,846)	(26,901)	(42,846)	(26,901)
Net interest expense	(14,880)	(15,255)	(14,880)	(15,255)
Non-interest income	3,795	2,081	3,795	2,081
Net expense	(11,085)	(13,174)	(11,085)	(13,174)
Overhead expenses	(9,873)	(10,292)	(9,873)	(10,292)
Allowance for impairment losses on investments	323	-	323	-
Loss before taxation	(20,635)	(23,466)	(20,635)	(23,466)
Taxation	71	20	71	20
Net loss for the financial period	(20,564)	(23,446)	(20,564)	(23,446)
Earnings per share - basic (sen)	(1.8)	(2.0)	(1.8)	(2.0)

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2019	quarter ended 30/09/2018	to date 30/09/2019	to date 30/09/2018
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net loss for the financial period	(20,564)	(23,446)	(20,564)	(23,446)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive loss for the financial period, net of tax	(20,564)	(23,446)	(20,564)	(23,446)

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 2019	2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	490,201	-	490,201	253,273	743,474
Currency translation differences	-	-	-	-	-	-	(68,075)	-	-	(68,075)	(35,766)	(103,841)
Share of other comprehensive loss of associated companies	-	-	(4,924)	-	-	-	-	-	-	(4,924)	(2,729)	(7,653)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	5,856	-	-	-	-	-	-	5,856	3,486	9,342
- Changes in expected credit losses	-	-	37	-	-	-	-	-	-	37	19	56
Net fair value changes in cash flow hedge	-	-	-	(380)	-	-	-	-	-	(380)	(200)	(580)
Total comprehensive income/(loss)	-	-	969	(380)	-	-	(68,075)	490,201	-	422,715	218,083	640,798
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	110,339	-	-	-	-	-	(110,339)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(1,929)	-	(1,929)	1,929	-
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	540	540
Options charge arising from executive share scheme	-	-	-	-	-	(17,277)	-	-	-	(17,277)	-	(17,277)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(31,102)	(31,102)	-	(31,102)
Exercise of executive share scheme	-	-	-	-	-	(101)	-	555	-	454	-	454
<b>As at 30 September 2019</b>	<b>2,267,008</b>	<b>980,262</b>	<b>117,472</b>	<b>(2,170)</b>	<b>213,314</b>	<b>68,751</b>	<b>442,884</b>	<b>15,574,941</b>	<b>(193,011)</b>	<b>19,469,451</b>	<b>9,724,999</b>	<b>29,194,450</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As 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	(190,324)	-	-	-	-	(50,960)	-	(234,893)	(124,355)	(359,248)
As restated	2,267,008	761,401	(81,040)	544	213,314	50,254	521,299	13,859,459	(22,686)	17,569,553	8,750,922	26,320,475
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	505,695	-	505,695	263,912	769,607
Currency translation differences	-	-	-	-	-	-	(24,783)	-	-	(24,783)	(15,644)	(40,427)
Share of other comprehensive income of associated companies	-	-	4,681	-	-	-	-	-	-	4,681	716	5,397
Net fair value changes in financial investments at fair value through other comprehensive income	-	-	14,339	-	-	-	-	-	-	14,339	6,811	21,150
Net fair value changes in cash flow hedge	-	-	-	(414)	-	-	-	-	-	(414)	(217)	(631)
Total comprehensive income/(loss)	-	-	19,020	(414)	-	-	(24,783)	505,695	-	499,518	255,578	755,096
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	8,998	-	-	-	-	-	(8,998)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(2,966)	-	(2,966)	2,966	-
Non-controlling interests subscription of shares	-	-	-	-	-	-	-	-	-	-	35,000	35,000
Options charge arising from executive share scheme	-	-	-	-	-	23,520	-	-	-	23,520	-	23,520
<b>As at 30 September 2018</b>	<b>2,267,008</b>	<b>770,399</b>	<b>(62,020)</b>	<b>130</b>	<b>213,314</b>	<b>73,774</b>	<b>496,516</b>	<b>14,353,190</b>	<b>(22,686)</b>	<b>18,089,625</b>	<b>9,044,466</b>	<b>27,134,091</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM969,017,000 (30 September 2018: RM759,154,000) 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 (30 September 2018: RM11,245,000).

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>Share capital RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Retained profits RM '000</b>	<b>Total equity RM '000</b>
<b><u>THE COMPANY</u></b>						
As at 1 July 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net loss for the financial period	-	-	-	-	(20,564)	(20,564)
Options charge arising from executive share scheme	-	-	2,446	-	-	2,446
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
<b>As at 30 September 2019</b>	<b>2,267,008</b>	<b>254,991</b>	<b>19,122</b>	<b>(180,587)</b>	<b>13,293,170</b>	<b>15,653,704</b>
As at 1 July 2018	2,267,008	254,991	4,169	(3)	13,206,499	15,732,664
Effect of adopting MFRS 9	-	-	-	-	(2,885)	(2,885)
As restated	2,267,008	254,991	4,169	(3)	13,203,614	15,729,779
Net loss for the financial period	-	-	-	-	(23,446)	(23,446)
Options charge arising from executive share scheme	-	-	3,127	-	-	3,127
<b>As at 30 September 2018</b>	<b>2,267,008</b>	<b>254,991</b>	<b>7,296</b>	<b>(3)</b>	<b>13,180,168</b>	<b>15,709,460</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	The Group		The Company	
	30/09/2019 RM '000	30/09/2018 RM '000	30/09/2019 RM '000	30/09/2018 RM '000
Profit/(loss) before taxation	913,649	929,106	(20,635)	(23,466)
Adjustment for non-cash items	(37,824)	(23,837)	17,281	18,110
Operating profit/(loss) before working capital changes	875,825	905,269	(3,354)	(5,356)
Income tax paid	(142,375)	(175,426)	(1,426)	(1,472)
Interest received	182	349	182	349
Changes in working capital				
Net changes in operating assets	5,340,489	(3,786,746)	1,196	(48,616)
Net changes in operating liabilities	(1,485,751)	5,133,169	(16,560)	2,696
Net cash generated from/(used in) operating activities	4,588,370	2,076,615	(19,962)	(52,399)
<b>Cash flows from investing activities</b>				
Net sales/(purchases) of financial investments at fair value through other comprehensive income	2,428,191	(1,749,787)	-	-
Net sales/(purchases) of financial investments at amortised cost	6,392	(787,641)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	284,393	331,326	-	-
Purchase of intangible assets	(7,384)	(6,258)	-	(1)
Purchase of property and equipment	(32,922)	(42,837)	(117)	(16)
Net proceeds from disposal of property and equipment	220	298	-	-
Dividends received from other investments	15,318	26,026	-	398
Proceeds from liquidation	-	-	-	21
Interest received from investment in debt instrument issued by subsidiary company				
- Multi-currency Additional Tier 1 capital securities	-	-	9,569	-
Net cash generated from/(used in) investing activities	2,694,208	(2,228,873)	9,452	402
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	(31,102)	-	(28,443)	-
Proceeds from ESOS exercised	1,010	-	-	-
Repayment of revolving credit	(45,000)	(30,000)	(45,000)	(30,000)
Proceeds from/(repayment of) medium term notes and commercial papers	110,000	(320,000)	110,000	(320,000)
Proceeds from senior notes	-	375,000	-	400,000
Repayment of innovative Tier 1 capital securities	(453,200)	(10,000)	-	-
Repayment of term loans	(50,000)	-	(50,000)	-
Proceeds from recourse obligations on loans sold to Cagamas Berhad	199,950	-	-	-
Non-controlling interests subscription of shares	-	35,000	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(9,772)	-	(9,772)	-
Interest paid on subordinated obligations	(13,433)	(13,894)	-	-
Interest paid on borrowings	(21,155)	(16,194)	(21,801)	(16,030)
Interest paid on innovative Tier 1 capital securities	(19,486)	(19,291)	-	-
Interest paid on recourse obligations on loans sold to Cagamas Berhad	(1,539)	(3,791)	-	-
Net cash (used in)/generated from financing activities	(333,727)	(3,170)	(45,016)	33,970
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,948,851</b>	<b>(155,428)</b>	<b>(55,526)</b>	<b>(18,027)</b>
<b>Effects of exchange rate changes</b>	<b>(5,878)</b>	<b>(36,512)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 July</b>	<b>6,760,957</b>	<b>15,684,888</b>	<b>84,556</b>	<b>25,526</b>
<b>Cash and cash equivalents at 30 September</b>	<b>13,703,930</b>	<b>15,492,948</b>	<b>29,030</b>	<b>7,499</b>
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	13,835,450	10,184,205	28,970	7,439
Deposits and placements with banks and other financial institutions	8,799,836	11,454,318	3,360	3,360
	22,635,286	21,638,523	32,330	10,799
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(8,931,356)	(6,145,575)	(3,300)	(3,300)
	<b>13,703,930</b>	<b>15,492,948</b>	<b>29,030</b>	<b>7,499</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**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 2019. 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 2019.

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 2019 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 11 'Joint Arrangements'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowings Costs'

The adoption of the above new standards, amendments to published standards and interpretation are not expected to have impact on the financial results of the Group and the Company other than the effects and change in accounting policy arising from the adoption of MFRS 16 as disclosed in Note 32.

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 2019**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2019.

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 30 September 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 30 September 2019, the Company purchased 1,546,800 units of shares for RM28,443,429 and no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 30 September 2019, the total number of Treasury Shares for ESOS is 9,636,000 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM180,587,544.

The insurance subsidiary company purchased 163,900 units of shares for RM2,658,876 and no shares were exercised pursuant to the Company's ESS during the financial period ended 30 September 2019.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 September 2019 was 1,247,800 units at an average price of RM9.96 per share with total consideration paid, including transaction costs was RM12,423,297 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

There were no dividends paid during the financial period under review.

**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)**

<b>The Group</b>	<b>Commercial</b>	<b>Investment</b>		<b>Other</b>	<b>Eliminations/</b>	<b>Consolidated</b>
<b>30 September 2019</b>	<b>banking</b>	<b>banking</b>	<b>Insurance</b>	<b>operations</b>	<b>consolidation</b>	
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>adjustments</b>	<b>RM '000</b>
					<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>						
External revenue	1,210,992	60,523	67,905	(13,254)	-	1,326,166
Inter-segment revenue	4,100	422	333	(1,158)	(3,697)	-
Segment revenue	<u>1,215,092</u>	<u>60,945</u>	<u>68,238</u>	<u>(14,412)</u>	<u>(3,697)</u>	<u>1,326,166</u>
<b>Results</b>						
Segment results	701,624	24,493	45,481	(20,634)	1,680	752,644
Share of results of associated companies						<u>161,005</u>
Profit before taxation						<u>913,649</u>
Taxation						<u>(170,175)</u>
Net profit for the financial period						<u>743,474</u>
Non-controlling interests						<u>(253,273)</u>
Profit attributable to owners of the parent						<u><u>490,201</u></u>
<b>Other information</b>						
Segment assets	206,746,140	3,995,639	23,106,841	19,562,710	(15,764,867)	<u><u>237,646,463</u></u>
Segment liabilities	180,677,514	3,175,843	19,894,911	3,910,499	793,246	<u><u>208,452,013</u></u>

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**8. Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial</b>	<b>Investment</b>	<b>Insurance</b>	<b>Other</b>	<b>Eliminations/ consolidation</b>	<b>Consolidated</b>
<b>30 September 2018</b>	<b>banking</b>	<b>banking</b>		<b>operations</b>	<b>adjustments</b>	
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>						
External revenue	1,244,390	51,336	104,425	(16,986)	-	1,383,165
Inter-segment revenue	4,635	(546)	466	2,316	(6,871)	-
Segment revenue	<u>1,249,025</u>	<u>50,790</u>	<u>104,891</u>	<u>(14,670)</u>	<u>(6,871)</u>	<u>1,383,165</u>
<b>Results</b>						
Segment results	704,264	22,710	71,658	(23,514)	(3,385)	771,733
Share of results of associated companies						<u>157,373</u>
Profit before taxation						<u>929,106</u>
Taxation						<u>(159,499)</u>
Net profit for the financial period						<u>769,607</u>
Non-controlling interests						<u>(263,912)</u>
Profit attributable to owners of the parent						<u><u>505,695</u></u>
<b>Other information</b>						
Segment assets	207,576,833	4,837,862	20,663,439	18,076,618	(15,873,493)	<u>235,281,259</u>
Segment liabilities	183,220,276	4,044,854	17,691,127	2,365,791	681,834	<u>208,003,882</u>

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**9. Financial assets at fair value through profit or loss**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Money market instruments:		
Government treasury bills	250,495	21,900
Malaysian Government securities	1,762,857	3,770,728
Malaysian Government investment certificates	618,958	1,957,141
Negotiable instruments of deposit	1,276,562	1,472,835
Khazanah bonds	-	136,726
Cagamas bonds	31,664	81,403
Other Government securities	5,541,849	5,382,979
	<u>9,482,385</u>	<u>12,823,712</u>
Quoted securities:		
Shares in Malaysia	2,605,640	2,732,371
Shares outside Malaysia	310,558	297,944
Wholesale fund/unit trust investments	515,318	634,762
Foreign currency bonds in Malaysia	95,261	60,375
Foreign currency bonds outside Malaysia	113,483	108,167
Investment-linked funds	289	285
Loan stocks	1,199	1,178
	<u>3,641,748</u>	<u>3,835,082</u>
Unquoted securities:		
Shares in Malaysia	326,621	326,621
Foreign currency bonds outside Malaysia	532,899	332,979
Corporate bonds and sukuk	7,319,694	7,072,807
Redeemable preference shares	25,066	30,866
	<u>8,204,280</u>	<u>7,763,273</u>
Total financial assets at fair value through profit or loss	<u>21,328,413</u>	<u>24,422,067</u>

**10. Financial investments at fair value through other comprehensive income**

	Note	The Group	
		As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
<b>At fair value</b>			
Debt instruments	(a)	22,601,833	24,921,094
Equity instruments	(b)	44,331	44,331
		<u>22,646,164</u>	<u>24,965,425</u>
(a) Debt instruments			
Money market instruments:			
Government treasury bills		423,642	-
Malaysian Government securities		1,616,859	1,656,380
Malaysian Government investment certificates		4,382,003	6,334,482
Negotiable instruments of deposit		1,094,863	1,197,900
Other Government securities		118,203	694,508
Khazanah bonds		395,382	272,685
Cagamas bonds		1,367,450	1,367,584
		<u>9,398,402</u>	<u>11,523,539</u>
Quoted securities:			
Foreign currency bonds in Malaysia		1,702,923	1,776,207
Foreign currency bonds outside Malaysia		1,737,197	1,638,380
		<u>3,440,120</u>	<u>3,414,587</u>
Unquoted securities:			
Malaysian Government sukuk		351,420	350,898
Corporate bonds and sukuk		7,928,560	7,995,442
Foreign currency bonds in Malaysia		931,576	973,343
Foreign currency bonds outside Malaysia		551,755	663,285
		<u>9,763,311</u>	<u>9,982,968</u>
		<u>22,601,833</u>	<u>24,921,094</u>

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**10. Financial investments at fair value through other comprehensive income (continued)**

(a) Debt instruments (continued)

Movements in expected credit losses ("ECL") of debt instruments at fair value through other comprehensive income are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>The Group</b>				
<b>30 September 2019</b>				
As at 1 July	1,709	-	16,713	18,422
New financial assets originated or purchased	697	-	-	697
Financial assets derecognised	(608)	-	-	(608)
Changes due to change in credit risk	17	-	-	17
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	11	-	144	155
As at 30 September	1,806	-	16,857	18,663
<b>30 June 2019</b>				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	2,633	-	16,569	19,202
As at 1 July, as restated	2,633	-	16,569	19,202
New financial assets originated or purchased	1,026	-	-	1,026
Financial assets derecognised	(1,451)	-	(166)	(1,617)
Changes due to change in credit risk	(377)	-	-	(377)
Exchange differences	41	-	147	188
As at 30 June	1,872	-	16,550	18,422

**The Group**

**As at  
30/09/2019  
RM '000**

**As at  
30/06/2019  
RM '000**

(b) Equity instruments

Unquoted securities:

Shares in Malaysia

44,331

44,331

**11. Financial investments at amortised cost**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Money market instruments:		
Government treasury bills	54,373	53,820
Malaysian Government securities	350,256	260,010
Malaysian Government investment certificates	9,155,230	9,200,311
Khazanah bonds	307,183	304,266
Other Government securities	323,400	326,179
	10,190,442	10,144,586
Quoted securities:		
Foreign currency bonds in Malaysia	842,169	845,592
Foreign currency bonds outside Malaysia	143,196	151,587
	985,365	997,179
Unquoted securities:		
Malaysian Government sukuk	2,635,440	2,657,094
Corporate bonds and sukuk	2,040,945	2,037,237
Foreign currency bonds outside Malaysia	31,358	53,810
	4,707,743	4,748,141
Less: Expected credit losses	(1,079)	(1,043)
Total financial investments at amortised cost	15,882,471	15,888,863

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**11. Financial investments at amortised cost (continued)**

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>30 September 2019</b>				
As at 1 July	216	-	827	1,043
New financial assets originated or purchased	1	-	-	1
Financial assets derecognised	(18)	-	-	(18)
Changes due to change in credit risk	52	-	-	52
Exchange differences	1	-	-	1
As at 30 September	<u>252</u>	<u>-</u>	<u>827</u>	<u>1,079</u>
<b>30 June 2019</b>				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	27	-	827	854
As at 1 July, as restated	<u>27</u>	<u>-</u>	<u>827</u>	<u>854</u>
New financial assets originated or purchased	189	-	-	189
As at 30 June	<u>216</u>	<u>-</u>	<u>827</u>	<u>1,043</u>

**12. Loans, advances and financing**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Overdrafts	3,701,665	3,863,555
Term loans/financing:		
- Housing and shop loans/financing	78,053,220	76,495,886
- Syndicated term loans/financing	12,577,503	11,740,501
- Hire purchase receivables	17,463,954	17,634,182
- Other term loans/financing	8,141,583	8,192,827
Credit/charge card receivables	3,535,069	3,597,974
Bills receivable	1,045,139	1,061,015
Trust receipts	407,750	421,884
Policy and premium loans	540,554	544,109
Claims on customers under acceptance credits	7,464,826	8,029,521
Revolving credits	6,067,052	6,227,550
Staff loans/financing	139,534	138,804
Other loans/financing	342,459	371,329
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>
Fair value changes arising from fair value hedges	5,449	3,473
Expected credit losses	(1,236,772)	(1,264,994)
Total net loans, advances and financing	<u>138,248,985</u>	<u>137,057,616</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM443,841,000 (2019: RM236,439,000).

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

(a) By type of customers

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Domestic non-bank financial institutions	947,067	953,920
Domestic business enterprises:		
- Small and medium enterprises	21,783,901	21,504,631
- Others	18,275,008	19,303,934
Government and statutory bodies	1,984	2,037
Individuals	95,586,011	94,057,634
Other domestic entities	827,922	418,282
Foreign entities	2,058,415	2,078,699
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,599,817	1,641,152
- Hire purchase receivables	17,263,624	17,413,826
- Other fixed rate loan/financing	7,153,651	6,919,394
Variable rate		
- Base rate/base lending rate plus	96,294,841	94,502,743
- Cost plus	16,479,369	17,225,281
- Other variable rates	689,006	616,741
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>

(c) By economic purposes

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Purchase of securities	1,093,477	1,010,286
Purchase of transport vehicles	17,307,168	17,489,214
Purchase of landed properties		
- Residential	69,025,157	67,438,186
- Non-residential	16,544,282	16,369,237
Purchase of fixed assets (excluding landed properties)	1,045,655	988,287
Personal use	3,525,785	3,389,881
Credit card	3,535,069	3,597,974
Construction	2,175,843	2,006,223
Mergers and acquisition	314,558	312,445
Working capital	22,951,603	23,798,349
Other purposes	1,961,711	1,919,055
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Malaysia	132,181,220	131,208,547
Singapore	5,285,785	5,224,287
Vietnam	689,006	616,741
Cambodia	1,324,297	1,269,562
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>

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

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Within one year	25,776,980	26,983,273
One year to less than three years	6,179,446	5,920,568
Three years to less than five years	9,762,595	9,612,277
Five years and more	97,761,287	95,803,019
Gross loans, advances and financing	<u>139,480,308</u>	<u>138,319,137</u>

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

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
As at 1 July	1,078,009	1,132,387
Effect of adopting MFRS 9	-	(11)
As at 1 July, as restated	<u>1,078,009</u>	<u>1,132,376</u>
Classified as impaired during the financial period/year	511,578	1,620,203
Reclassified as non-impaired during the financial period/year	(269,703)	(868,464)
Amount written back in respect of recoveries	(122,834)	(489,105)
Amount written off	(66,813)	(318,398)
Exchange differences	492	1,397
As at end of the financial period/year	<u>1,130,729</u>	<u>1,078,009</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.8%</u>

(g) Impaired loans, advances and financing by economic purposes

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Purchase of securities	234	51
Purchase of transport vehicles	116,269	122,231
Purchase of landed properties		
- Residential	395,538	376,570
- Non-residential	145,159	169,127
Purchase of fixed assets (excluding landed properties)	5,306	5,325
Personal use	45,262	44,470
Credit card	29,764	32,505
Construction	17,359	17,350
Working capital	312,905	305,350
Other purposes	62,933	5,030
Gross credit impaired/impaired loans, advances and financing	<u>1,130,729</u>	<u>1,078,009</u>

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

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Malaysia	1,124,576	1,070,808
Singapore	953	1,512
Vietnam	1,627	1,621
Cambodia	3,573	4,068
Gross impaired loans, advances and financing	<u>1,130,729</u>	<u>1,078,009</u>

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

(i) Movements in expected credit losses for loans, advances and financing are as follows:

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>30 September 2019</b>				
As at 1 July	369,855	498,326	396,813	1,264,994
Changes in ECL due to transfer within stages	(55,230)	(27,887)	83,117	-
Transfer to Stage 1	4,971	(4,926)	(45)	-
Transfer to Stage 2	(60,196)	82,815	(22,619)	-
Transfer to Stage 3	(5)	(105,776)	105,781	-
New financial assets originated	15,646	843	241	16,730
Financial assets derecognised	(6,718)	(11,962)	(6,868)	(25,548)
Changes due to change in credit risk	9,704	20,341	18,720	48,765
Amount written off	-	-	(67,122)	(67,122)
Exchange differences	82	58	413	553
Other movements	-	-	(1,600)	(1,600)
As at 30 September	333,339	479,719	423,714	1,236,772
<b>30 June 2019</b>				
As at 1 July				1,007,692
Effect of adopting MFRS 9				360,630
As at 1 July, as restated	418,458	487,760	462,104	1,368,322
Changes in ECL due to transfer within stages	(101,284)	(144,222)	245,506	-
Transfer to Stage 1	23,088	(22,843)	(245)	-
Transfer to Stage 2	(124,380)	219,695	(95,315)	-
Transfer to Stage 3	8	(341,074)	341,066	-
New financial assets originated	53,868	4,019	110	57,997
Financial assets derecognised	(34,800)	(42,683)	(29,024)	(106,507)
Changes due to change in credit risk	33,156	193,326	38,496	264,978
Modifications to contractual cash flows of financial assets	-	-	4,101	4,101
Amount written off	-	-	(282,501)	(282,501)
Exchange differences	457	126	1,578	2,161
Other movements	-	-	(43,557)	(43,557)
As at 30 June	369,855	498,326	396,813	1,264,994

**13. Other receivables**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Foreclosed properties	21,630	21,839
Sundry debtors and other prepayments	251,557	450,480
Treasury related receivables	50,645	242,617
Cash collateral pledged for derivative transactions	395,313	308,969
Fee income receivables	4,255	7,511
Other receivables	221,464	301,246
	944,864	1,332,662
<b>The Company</b>		
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Amount due from subsidiary companies	1,154	702
Sundry debtors and other prepayments	1,661	3,455
	2,815	4,157

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**14. Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>At amortised cost</b>		
Fixed deposits	89,457,554	90,777,422
Negotiable instruments of deposits	8,347,120	9,823,072
Short-term placements	20,201,998	16,571,939
	<u>118,006,672</u>	<u>117,172,433</u>
Demand deposits	23,985,340	24,012,738
Savings deposits	17,838,736	17,706,562
Others	860,345	891,350
	<u>160,691,093</u>	<u>159,783,083</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	1,246,785	2,159,671
Fair value changes arising from designation at fair value through profit or loss*	(33,763)	(54,869)
	<u>1,213,022</u>	<u>2,104,802</u>
	<u>161,904,115</u>	<u>161,887,885</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.

(b) By type of customers

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Government and statutory bodies	6,672,192	7,940,833
Business enterprises	64,417,434	65,288,256
Individuals	86,893,129	85,560,723
Others	3,921,360	3,098,073
	<u>161,904,115</u>	<u>161,887,885</u>

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

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Due within six months	96,564,082	93,925,096
More than six months to one year	20,137,805	21,763,420
More than one year to five years	1,240,792	1,440,321
More than five years	63,993	43,596
	<u>118,006,672</u>	<u>117,172,433</u>

**15. Investment accounts of customers**

	<b>The Group</b>	
	<b>As at 30/09/2019 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Unrestricted investment accounts	<u>4,825</u>	<u>2,235</u>

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**16. Deposits and placements of banks and other financial institutions**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Licensed banks	6,009,733	7,379,378
Licensed investment banks	-	225,055
Licensed Islamic banks	-	140,000
Central banks	73,640	12,222
Other financial institutions	1,801,290	2,023,889
	7,884,663	9,780,544
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short-term)	7,884,663	9,780,544

**17. Payables and other liabilities**

	Note	The Group	
		As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
Trade payables		3,087,266	3,062,424
Post employment benefits obligation - defined contribution plan		1,893	1,892
Loan advance payment		3,393,194	3,351,885
Treasury and cheque clearing		412,416	452,626
Treasury related payables		161,577	149,347
Sundry creditors and accruals		162,576	224,309
Provision for reinstatement cost		21,587	-
Provision for bonus and staff related expenses		280,101	222,387
Expected credit losses on financial guarantee contracts	(a)	7,931	7,928
Financial liabilities due to third party investors	(b)	5,737,185	4,816,377
Others		860,070	945,272
		14,125,796	13,234,447

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

The Group 30 September 2019	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(43)	43	-	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(47)	47	-	-
New financial assets originated	151	1	-	152
Financial assets derecognised	(16)	(8)	-	(24)
Changes due to change in credit risk	(41)	(131)	5	(167)
Exchange differences	-	47	-	47
Other movements	-	-	(5)	(5)
As at 30 September	2,431	5,479	21	7,931

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**17. Payables and other liabilities (continued)**

(a) Movements in expected credit losses of financial guarantee contracts are as follows: (continued)

The Group 30 June 2019	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July				-
Effect of adopting MFRS 9				6,920
As at 1 July, as restated	2,065	4,855	-	6,920
Changes in ECL due to transfer within stages	(13)	(80)	93	-
Transfer to Stage 1	23	(23)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	-	(93)	93	-
New financial assets originated	142	2	-	144
Financial assets derecognised	(28)	(12)	-	(40)
Changes due to change in credit risk	220	642	(68)	794
Exchange differences	(6)	120	-	114
Other movements	-	-	(4)	(4)
As at 30 June	2,380	5,527	21	7,928

(b) 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 30/09/2019 RM '000	As at 30/06/2019 RM '000
Post employment benefits obligation - defined contribution plan	45	45
Sundry creditors and accruals	112	20,848
Provision for reinstatement cost	228	-
Provision for bonus and staff related expenses	16,177	13,025
	16,562	33,918

**18. Interest income**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Loans, advances and financing	1,228,642	1,203,971	1,228,642	1,203,971
Money at call and deposit placements with financial institutions	113,047	116,026	113,047	116,026
Securities purchased under resale agreements	236	503	236	503
Financial investments at fair value through other comprehensive income	180,735	214,046	180,735	214,046
Financial investments at amortised cost	103,658	117,280	103,658	117,280
Others	7,511	4,328	7,511	4,328
	1,633,829	1,656,154	1,633,829	1,656,154
Of which:				
Interest income earned on impaired loans, advances and financing	1,371	5,492	1,371	5,492

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**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Money at call and deposit placements with financial institutions	182	204	182	204
Subordinated obligations	17,853	6,125	17,853	6,125
Multi-currency Additional Tier 1 capital securities	9,931	5,172	9,931	5,172
Others	-	145	-	145
	<u>27,966</u>	<u>11,646</u>	<u>27,966</u>	<u>11,646</u>

**19. Interest income for financial assets at fair value through profit or loss**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Financial assets at fair value through profit or loss	81,961	110,622	81,961	110,622

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Deposits and placements of banks and other financial institutions	47,701	77,982	47,701	77,982
Deposits from customers	740,013	764,199	740,013	764,199
Short-term placements	103,931	109,450	103,931	109,450
Borrowings	14,933	15,219	14,933	15,219
Subordinated obligations	26,751	35,720	26,751	35,720
Recourse obligations on loans sold to Cagamas Berhad	810	1,916	810	1,916
Innovative Tier 1 capital securities	8,413	10,152	8,413	10,152
Multi-currency Additional Tier 1 capital securities	10,121	5,258	10,121	5,258
Others	6,940	1,559	6,940	1,559
	<u>959,613</u>	<u>1,021,455</u>	<u>959,613</u>	<u>1,021,455</u>

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Borrowings	14,111	15,224	14,111	15,224
Subordinated obligations	18,266	6,253	18,266	6,253
Multi-currency Additional Tier 1 capital securities	10,232	5,334	10,232	5,334
Others	237	90	237	90
	<u>42,846</u>	<u>26,901</u>	<u>42,846</u>	<u>26,901</u>

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**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Income derived from investment of depositors' funds and others	393,131	354,294	393,131	354,294
of which finance income	383,109	348,500	383,109	348,500
of which other operating income	10,022	5,794	10,022	5,794
Income derived from investment of shareholders' funds	45,811	41,507	45,811	41,507
of which finance income	33,314	30,303	33,314	30,303
of which other operating income	12,497	11,204	12,497	11,204
Income derived from investment of investment accounts	92	-	92	-
Income attributable to depositors	(239,177)	(224,725)	(239,177)	(224,725)
Income attributable to depositors on investment accounts	(66)	-	(66)	-
	<u>199,791</u>	<u>171,076</u>	<u>199,791</u>	<u>171,076</u>

**22. Non-interest income**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Net income from insurance business	47,090	72,556	47,090	72,556
Net brokerage and commissions from stockbroking business	12,460	14,420	12,460	14,420
Net unit trust and asset management income	18,050	11,339	18,050	11,339
Fee income:				
Commissions	42,746	40,632	42,746	40,632
Service charges and fees	9,898	10,689	9,898	10,689
Guarantee fees	3,655	3,114	3,655	3,114
Credit card related fees	52,769	55,155	52,769	55,155
Corporate advisory fees	1,475	778	1,475	778
Commitment fees	8,387	8,148	8,387	8,148
Fee on loans, advances and financing	12,615	9,181	12,615	9,181
Placement fees	709	239	709	239
Arranger fees	853	425	853	425
Other fee income	55,507	20,321	55,507	20,321
	<u>188,614</u>	<u>148,682</u>	<u>188,614</u>	<u>148,682</u>
Net realised gain from sale of:				
Financial assets at fair value through profit or loss	55,152	35,661	55,152	35,661
Financial investments at fair value through other comprehensive income	99,533	16,494	99,533	16,494
Derivative financial instruments	8,713	(6,908)	8,713	(6,908)
	<u>163,398</u>	<u>45,247</u>	<u>163,398</u>	<u>45,247</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	15,115	25,823	15,115	25,823
Financial investments at fair value through other comprehensive income	203	203	203	203
	<u>15,318</u>	<u>26,026</u>	<u>15,318</u>	<u>26,026</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets at fair value through profit or loss	(25,403)	26,309	(25,403)	26,309
Derivative financial instruments	(59,704)	3,353	(59,704)	3,353
	<u>(85,107)</u>	<u>29,662</u>	<u>(85,107)</u>	<u>29,662</u>

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**22. Non-interest income (continued)**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Net realised loss on fair value changes arising from fair value hedges	(409)	(92)	(409)	(92)
Net unrealised loss on fair value changes arising from fair value hedges	(178)	(38)	(178)	(38)
Other income:				
Foreign exchange gain	4,445	36,655	4,445	36,655
Rental income	2,158	2,569	2,158	2,569
Net gain on disposal of property and equipment	176	177	176	177
Net gain on divestment of joint venture	-	72,242	-	72,242
Other non-operating income	4,183	7,323	4,183	7,323
	10,962	118,966	10,962	118,966
Total non-interest income	370,198	466,768	370,198	466,768

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Fee income:				
Management fees	3,596	1,606	3,596	1,606
Net realised gain from sale of:				
Derivative financial instruments	135	-	135	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	-	398	-	398
Net unrealised gain on revaluation of:				
Derivative financial instruments	-	48	-	48
Other income:				
Gain from distribution on liquidation of subsidiary	-	21	-	21
Other non-operating income	64	8	64	8
Total non-interest income	3,795	2,081	3,795	2,081

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	306,068	299,618	306,068	299,618
- Medical expenses	7,545	4,751	7,545	4,751
- Training and convention expenses	7,121	6,971	7,121	6,971
- Staff welfare	2,299	2,483	2,299	2,483
- Others	7,133	22,134	7,133	22,134
	330,166	335,957	330,166	335,957
<u>Establishment costs</u>				
- Depreciation of property and equipment	35,598	34,283	35,598	34,283
- Depreciation of right-of-use assets	14,480	-	14,480	-
- Amortisation of intangible assets	14,842	15,246	14,842	15,246
- Rental of premises	2,400	17,434	2,400	17,434
- Information technology expenses	43,633	43,359	43,633	43,359
- Security services	7,087	7,175	7,087	7,175
- Electricity, water and sewerage	6,473	6,292	6,473	6,292
- Hire of plant and machinery	3,471	3,050	3,471	3,050
- Others	7,242	10,926	7,242	10,926
	135,226	137,765	135,226	137,765

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**23. Overhead expenses (continued)**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	7,880	6,195	7,880	6,195
- Sales commission and credit card related fees	31,436	31,810	31,436	31,810
- Others	6,646	10,201	6,646	10,201
	<u>45,962</u>	<u>48,206</u>	<u>45,962</u>	<u>48,206</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,582	4,502	5,582	4,502
- Stationery and printing expenses	2,936	3,697	2,936	3,697
- Professional fees	24,351	21,871	24,351	21,871
- Insurance fees	10,274	10,137	10,274	10,137
- Stamp, postage and courier	3,414	3,290	3,414	3,290
- Credit card fees	11,633	10,617	11,633	10,617
- Travelling and transport expenses	1,283	1,174	1,283	1,174
- Registration and license fees	1,867	2,474	1,867	2,474
- Brokerage and commission	2,367	1,886	2,367	1,886
- Others	7,097	9,937	7,097	9,937
	<u>70,804</u>	<u>69,585</u>	<u>70,804</u>	<u>69,585</u>
	<u>582,158</u>	<u>591,513</u>	<u>582,158</u>	<u>591,513</u>

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	5,765	5,492	5,765	5,492
- Medical expenses	23	28	23	28
- Training and convention expenses	8	12	8	12
- Staff welfare	144	137	144	137
- Others	2,646	3,327	2,646	3,327
	<u>8,586</u>	<u>8,996</u>	<u>8,586</u>	<u>8,996</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	178	285	178	285
- Depreciation of right-of-use assets	235	-	235	-
- Rental of premises	-	230	-	230
- Information technology expenses	26	39	26	39
- Electricity, water and sewerage	11	12	11	12
- Others	62	36	62	36
	<u>512</u>	<u>602</u>	<u>512</u>	<u>602</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	9	9	9
- Stationery and printing expenses	7	12	7	12
- Professional fees	239	220	239	220
- Management fees	533	346	533	346
- Travelling and transport expenses	10	12	10	12
- Others	(23)	95	(23)	95
	<u>775</u>	<u>694</u>	<u>775</u>	<u>694</u>
	<u>9,873</u>	<u>10,292</u>	<u>9,873</u>	<u>10,292</u>

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

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	39,908	75,654	39,908	75,654
- Clients' and brokers' balances	(12)	7	(12)	7
Impaired loans, advances and financing:				
- Written off	4,499	4,430	4,499	4,430
- Recovered from bad debt written off	(53,160)	(61,286)	(53,160)	(61,286)
	<u>(8,765)</u>	<u>18,805</u>	<u>(8,765)</u>	<u>18,805</u>

**25. Allowance for impairment losses on other assets**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	86	49	86	49
- Financial investments at amortised cost	35	266	35	266
- Other receivables	(7)	(66)	(7)	(66)
- Cash and short-term funds	(21)	802	(21)	802
- Deposits and placements with banks and other financial institutions	36	63	36	63
	<u>129</u>	<u>1,114</u>	<u>129</u>	<u>1,114</u>

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	<u>(323)</u>	<u>-</u>	<u>(323)</u>	<u>-</u>

**26. Capital adequacy**

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-weighted Assets) both reissued on 2 February 2018. The consolidated capital adequacy of the Group includes consolidation of all financial and non-financial subsidiary companies, except the insurance/takaful subsidiary companies which shall be deducted in the calculation of Common Equity Tier 1 ("CET 1") capital. The total risk-weighted assets ("RWA") of the Group are computed based on Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total 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 the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2019	30/06/2019	30/09/2019	30/06/2019	30/09/2019	30/06/2019	30/09/2019	30/06/2019
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	10.628%	10.903%	13.342%	13.627%	13.064%	13.266%	33.801%	30.907%
Tier 1 capital ratio	11.617%	11.895%	13.924%	14.585%	13.418%	14.074%	33.801%	30.907%
Total capital ratio	14.688%	14.968%	16.159%	16.839%	15.528%	16.203%	47.676%	43.489%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	10.516%	10.903%	12.836%	13.113%	12.447%	12.640%	31.308%	28.642%
Tier 1 capital ratio	11.505%	11.895%	13.418%	14.072%	12.801%	13.448%	31.308%	28.642%
Total capital ratio	14.577%	14.968%	15.653%	16.326%	14.912%	15.577%	45.182%	41.224%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	15,062,036	15,196,453	16,686,413	16,686,412	12,034,338	12,034,337	237,920	237,920
Other reserves	789,056	874,076	752,838	849,361	315,315	315,816	2,816	3,507
Qualifying non-controlling interests	5,454,700	5,398,860	-	-	-	-	-	-
Less: Treasury shares	(193,011)	(161,909)	(727,277)	(727,817)	(727,277)	(727,817)	-	-
Less: Other intangible assets	(119,940)	(128,331)	(117,250)	(125,225)	(103,686)	(110,895)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,812)	(31,129)
Less: Deferred tax assets	-	-	(28,239)	(16,030)	(8,230)	-	(83,141)	(80,926)
Less: Investment in subsidiary companies/ associated companies	(6,726,613)	(6,661,118)	(4,131,905)	(4,106,375)	(2,727,357)	(2,726,932)	(200)	(200)
Total CET 1 capital	14,186,949	14,438,752	18,342,331	18,468,077	14,750,619	14,752,025	379,533	382,122

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**26. 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 Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000	30/09/2019 RM '000	30/06/2019 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,607	799,577	799,556	799,523	799,556	799,523	-	-
Innovative Tier 1 capital securities	-	-	-	499,498	-	499,498	-	-
Qualifying non-controlling interests	520,218	513,375	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,319,825	1,312,952	799,556	1,299,021	799,556	1,299,021	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,319,825	1,312,952	799,556	1,299,021	399,556	899,021	-	-
Total Tier 1 capital	15,506,774	15,751,704	19,141,887	19,767,098	15,150,175	15,651,046	379,533	382,122
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	1,599,799	1,560,449	1,572,531	1,554,893	1,282,715	1,267,205	5,792	5,556
Subordinated obligations	1,578,323	1,599,790	1,499,970	1,499,970	1,499,970	1,499,970	150,000	150,000
Qualifying non-controlling interests	922,176	909,772	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,100,298	4,070,011	3,072,501	3,054,863	2,382,685	2,367,175	155,792	155,556
<b>Total capital</b>	19,607,072	19,821,715	22,214,388	22,821,961	17,532,860	18,018,221	535,325	537,678

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM957,488,000 (2019: RM847,070,000), Hong Leong Bank Berhad of RM785,407,000 (2019: RM695,197,000) and Hong Leong Investment Bank Berhad of RM Nil (2019: RM Nil) respectively.

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**26. Capital adequacy (continued)**

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

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>30/09/2019</b>	<b>30/06/2019</b>	<b>30/09/2019</b>	<b>30/06/2019</b>	<b>30/09/2019</b>	<b>30/06/2019</b>	<b>30/09/2019</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Credit risk *	120,963,712	120,247,407	125,802,506	124,391,420	102,617,218	101,376,433	463,372	444,468
Market risk	3,554,563	3,244,202	3,071,685	2,558,573	3,088,444	2,595,185	386,782	519,266
Operational risk	8,967,801	8,936,235	8,601,971	8,577,308	7,207,447	7,233,933	272,684	272,622
<b>Total RWA</b>	<b>133,486,076</b>	<b>132,427,844</b>	<b>137,476,162</b>	<b>135,527,301</b>	<b>112,913,109</b>	<b>111,205,551</b>	<b>1,122,838</b>	<b>1,236,356</b>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM299,202,000 (2019: RM1,294,000) 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:

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>30/09/2019</b>	<b>30/06/2019</b>
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	10.589%	10.529%
Tier 1 capital ratio	12.327%	12.258%
Total capital ratio	<u>15.247%</u>	<u>15.150%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	10.589%	10.529%
Tier 1 capital ratio	12.327%	12.258%
Total capital ratio	<u>15.247%</u>	<u>15.150%</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 30 September 2019.

**28. 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.

**29 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.

**30. 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:

	<b>The Group</b>	
	<b>30/09/2019</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	124,273	118,740
Certain transaction related contingent items	1,475,043	1,446,851
Short-term self liquidating trade related contingencies	676,665	674,511
Obligations under underwriting agreement	-	18,860
Irrevocable commitments to extend credit:		
- Less than one year	20,808,596	19,020,280
- More than one year	17,693,293	17,720,606
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	772,743	750,103
Foreign exchange related contracts:		
- Less than one year	44,987,887	37,642,710
- One year to less than five years	4,979,422	3,995,994
- Five years and above	367,285	301,327
Interest rate related contracts:		
- Less than one year	23,563,416	43,078,630
- One year to less than five years	34,786,960	37,887,050
- Five years and above	3,639,984	3,415,389
Equity related contracts:		
- Less than one year	549,249	627,537
- One year to less than five years	119,766	127,853
Credit related contracts:		
- Five years and above	117,810	82,753
Unutilised credit card lines	7,255,038	7,276,500
<b>Total</b>	<b>161,917,430</b>	<b>174,185,694</b>
	<b>The Company</b>	
	<b>30/09/2019</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Interest rate related contracts:		
- Less than one year	-	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 (2019: RM1 million).

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**31. 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. These would include certain corporate bonds, government bonds and derivatives.

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. This category includes unquoted shares held for socio-economic reasons. Fair value for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

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

The Group 30 September 2019	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	9,482,385	-	9,482,385
- Quoted securities	3,641,748	-	-	3,641,748
- Unquoted securities	-	7,877,659	326,621	8,204,280
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	9,398,402	-	9,398,402
- Quoted securities	3,440,120	-	-	3,440,120
- Unquoted securities	-	9,763,311	44,331	9,807,642
Derivative financial instruments	53	646,050	8,603	654,706
	<u>7,081,921</u>	<u>37,167,807</u>	<u>379,555</u>	<u>44,629,283</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**31. 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	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 September 2019</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	987	828,838	8,603	838,428
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,213,022	-	1,213,022
	<u>987</u>	<u>2,041,860</u>	<u>8,603</u>	<u>2,051,450</u>

**30 June 2019**

***Recurring fair value measurements***

**Financial assets**

Financial assets at fair value through profit or loss

- Money market instruments	-	12,823,712	-	12,823,712
- Quoted securities	3,835,082	-	-	3,835,082
- Unquoted securities	-	7,436,652	326,621	7,763,273

Financial investments at fair value through other comprehensive income

- Money market instruments	-	11,523,539	-	11,523,539
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,982,968	44,331	10,027,299

Derivative financial instruments	32	562,341	7,812	570,185
	<u>7,249,701</u>	<u>42,329,212</u>	<u>378,764</u>	<u>49,957,677</u>

**Financial liabilities**

Derivative financial instruments	2,940	721,691	7,812	732,443
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Financial liabilities designated at fair value

- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	<u>2,940</u>	<u>2,826,493</u>	<u>7,812</u>	<u>2,837,245</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 (2019: RM Nil).

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 June 2019</b>				

***Recurring fair value measurements***

**Financial liabilities**

Derivative financial instruments	-	135	-	135
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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

**31. 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	Financial investments at fair value through other comprehensive income	Derivative financial instruments	Derivative financial instruments
<b>The Group</b>	RM '000	RM '000	RM '000	RM '000
<b>30 September 2019</b>				
As at 1 July	326,621	44,331	7,812	7,812
Net fair value changes recognised in other comprehensive income	-	-	(5,514)	(5,514)
Purchases	-	-	(167)	(167)
Settlements	-	-	6,472	6,472
As at 30 September	<u>326,621</u>	<u>44,331</u>	<u>8,603</u>	<u>8,603</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2019	-	-	(5,514)	(5,514)

	Financial assets			Financial liability
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income	Financial investments available-for-sale	Derivative financial instruments
<b>The Group</b>	RM '000	RM '000	RM '000	RM '000
<b>30 June 2019</b>				
As at 1 July	-	-	469,904	13,876
Effect of adopting MFRS 9	309,740	33,477	(469,904)	-
As at 1 July, as restated	309,740	33,477	-	13,876
Fair value changes recognised in statements of income	16,896	-	-	(12,653)
Net fair value changes recognised in other comprehensive income	(15)	10,854	-	-
Purchases	-	-	-	(1,810)
Settlements	-	-	-	8,399
As at 30 June	<u>326,621</u>	<u>44,331</u>	<u>-</u>	<u>7,812</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	<u>16,896</u>	<u>-</u>	<u>-</u>	<u>(12,653)</u>
Total (loss)/gain recognised in other comprehensive income relating to assets held on 30 June 2019	<u>(15)</u>	<u>10,854</u>	<u>-</u>	<u>-</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

**32. Change in accounting policies**

**Effects of adopting MFRS 16 Leases**

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Company have adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group and the Company have applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Company's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Company was at 4.53% and 5.29% respectively per annum.

(i) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	<b>As at 30 June 2019 RM '000</b>	<b>Effects of adopting MFRS 16 RM '000</b>	<b>As restated 1 July 2019 RM '000</b>
<b>The Group</b>			
Right-of-use assets	-	298,425	298,425
Lease liabilities	-	274,236	274,236
Payables and other liabilities	13,234,447	24,189	13,258,636
<b>The Company</b>			
Right-of-use assets	-	6,895	6,895
Lease liabilities	-	6,670	6,670
Payables and other liabilities	33,918	225	34,143

(ii) The table below analyses the impact of Capital Adequacy Ratios of the Group:

	<b>As at 30 June 2019</b>	<b>Effects of adopting MFRS 16</b>	<b>As restated 1 July 2019</b>
<b>The Group</b>			
CET 1 capital ratio	10.903%	-0.027%	10.876%
Tier 1 capital ratio	11.895%	-0.029%	11.866%
Total capital ratio	14.968%	-0.035%	14.933%

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

**Review of performance**

**1. Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM913.6 million for the current quarter ended 30 September 2019 as compared to RM929.1 million in the previous corresponding quarter, a decrease of RM15.5 million or 1.7%. Excluding one-off gains from an equity divestment of RM72.2 million recorded in the previous corresponding quarter, the Group's normalised profit before tax for the current quarter is higher than previous corresponding quarter by RM56.7 million or 6.6%. The increase was mainly due to higher contribution from the commercial banking and asset management divisions.

Hong Leong Bank Group recorded a profit before tax of RM846.6 million for the current quarter ended 30 September 2019 as compared to RM851.1 million in the previous corresponding quarter, a decrease of RM4.5 million or 0.5%. Excluding one-off gains from an equity divestment of RM72.2 million recorded in the previous corresponding quarter, the Group's normalised profit before tax for the current quarter is higher than previous corresponding quarter by RM67.7 million or 8.7%. The increase was mainly due to higher revenue of RM38.3 million, lower operating expenses of RM2.9 million, writeback of impairment losses on loans, advances and financing of RM27.7 million and lower impairment losses on financial investments of RM0.7 million. This was however offsetted by lower share of profit from associated companies of RM1.9 million.

HLA Holdings Group recorded a profit before tax of RM61.5 million for the current quarter ended 30 September 2019 as compared to RM82.1 million in the previous corresponding quarter, a decrease of RM20.6 million or 25.0%. The decrease was mainly due to lower revenue of RM15.9 million and lower life fund surplus of RM20.7 million. This is however mitigated by lower operating expenses of RM10.4 million and higher share of profit from associated company of RM5.6 million.

Hong Leong Capital Group recorded a profit before tax of RM24.5 million for the current quarter ended 30 September 2019 as compared to RM22.7 million in the previous corresponding quarter, an increase of RM1.8 million or 7.9%. The increase was mainly due to higher contribution from the asset management division.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM913.6 million for the current quarter ended 30 September 2019 as compared to RM839.9 million in the preceding quarter, an increase of RM73.7 million or 8.8%. The increase was mainly due to higher contribution from the commercial banking and asset management divisions.

Hong Leong Bank Group recorded a profit before tax of RM846.6 million for the current quarter ended 30 September 2019 as compared to RM733.0 million in the preceding quarter, an increase of RM113.6 million or 15.5%. The increase was mainly due to higher revenue of RM47.3 million, lower operating expenses of RM7.8 million, writeback of impairment losses on loans, advances and financing of RM55.9 million and higher share of profit from associated companies of RM3.2 million. This was however offsetted by higher allowance for impairment losses on financial investments of RM0.6 million.

HLA Holdings Group recorded a profit before tax of RM61.5 million for the current quarter ended 30 September 2019 as compared to RM104.5 million in the preceding quarter, a decrease of RM43.0 million or 41.1%. The decrease was mainly due to lower revenue of RM7.7 million, lower life fund surplus of RM59.3 million and lower share of profit from associated company of RM2.3 million. This was however mitigated by lower operating expenses of RM26.3 million.

Hong Leong Capital Group recorded a profit before tax of RM24.5 million for the current quarter ended 30 September 2019 as compared to RM20.8 million in the preceding quarter, an increase of RM3.7 million or 17.8%. This was mainly due to higher contribution from the asset management division.

**3. 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.

**4. Variance of actual profit from forecasted profit**

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

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**5. Taxation**

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Income tax	184,771	146,805	184,771	146,805
Transfer (to)/from deferred tax	(14,596)	12,705	(14,596)	12,705
	<u>170,175</u>	<u>159,510</u>	<u>170,175</u>	<u>159,510</u>
Prior year over provision	-	(11)	-	(11)
	<u><u>170,175</u></u>	<u><u>159,499</u></u>	<u><u>170,175</u></u>	<u><u>159,499</u></u>

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Transfer to deferred tax	<u>(71)</u>	<u>(20)</u>	<u>(71)</u>	<u>(20)</u>

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

**6. 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.

**7. Borrowings**

	The Group		The Company	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
<b>Unsecured</b>				
RM Term loans	100,039	150,058	100,039	150,058
RM Revolving credit	385,473	430,501	385,473	430,501
RM Medium term notes	220,332	222,950	250,387	253,368
RM Commercial papers	324,292	214,587	324,292	214,587
RM Senior notes	376,070	380,181	401,000	405,367
	<u>1,406,206</u>	<u>1,398,277</u>	<u>1,461,191</u>	<u>1,453,881</u>
Repayment of term loans				
- Less than one year	100,039	150,058	100,039	150,058
Repayment of revolving credit				
- Less than one year	385,473	430,501	385,473	430,501
Repayment of medium term notes				
- Less than one year	-	3,375	-	3,375
- One to three years	220,332	219,575	250,387	249,993
Repayment of commercial papers				
- Less than one year	324,292	214,587	324,292	214,587
Repayment of senior notes				
- Less than one year	1,144	5,530	1,088	5,455
- One to three years	374,926	374,651	399,912	399,912
	<u>1,406,206</u>	<u>1,398,277</u>	<u>1,461,191</u>	<u>1,453,881</u>

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**8. Subordinated obligations**

	Note	The Group		The Company	
		As at 30/09/2019 RM '000	As at 30/06/2019 RM '000	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
RM500.0 million Tier 2 subordinated debt, at par	(a)	500,000	500,000	-	-
Add: Interest payable		3,329	8,815	-	-
		<u>503,329</u>	<u>508,815</u>	-	-
Less: Unamortised discounts		(1,053)	(1,089)	-	-
		<u>502,276</u>	<u>507,726</u>	-	-
RM50.0 million Tier 2 subordinated notes, at par	(b)	50,000	50,000	-	-
Add: Interest payable		1,075	406	-	-
		<u>51,075</u>	<u>50,406</u>	-	-
Less: Unamortised discounts		(13)	(98)	-	-
		<u>51,062</u>	<u>50,308</u>	-	-
RM1.6 billion Tier 2 subordinated notes, at par	(c)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,743	2,608	20,743	2,608
		<u>1,620,743</u>	<u>1,602,608</u>	<u>1,620,743</u>	<u>1,602,608</u>
Less: Unamortised discounts		(201)	(210)	(2,273)	(2,403)
		<u>1,620,542</u>	<u>1,602,398</u>	<u>1,618,470</u>	<u>1,600,205</u>
		<u>2,173,880</u>	<u>2,160,432</u>	<u>1,618,470</u>	<u>1,600,205</u>

- (a) 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 unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

- (b) 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.

- (c) On 25 June 2018, the Company had issued an unsecured 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.

Subsequently, on 14 June 2019, the Company issued an unsecured RM1.1 billion nominal value Sub-Notes. The Sub-Notes carry a distribution rate of 4.30% per annum with a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion Tier 2 subordinated notes issued by HLB and RM100.0 million Tier 2 subordinated notes issued by HLIB.

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**9. Innovative Tier 1 capital securities**

	The Group	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
RM500.0 million Innovative Tier 1 capital securities, at par	-	453,200
Add: Interest payable	-	11,463
	<u>-</u>	<u>464,663</u>
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	<u>-</u>	<u>464,273</u>

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.

On 10 September 2019, HLB had fully redeemed the RM500.0 million nominal value of IT-1 Capital Securities.

**10. Multi-currency Additional Tier 1 capital securities**

	The Group		The Company	
	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000	As at 30/09/2019 RM '000	As at 30/06/2019 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,160	6,799	7,160	6,799
	<u>807,160</u>	<u>806,799</u>	<u>807,160</u>	<u>806,799</u>
Less: Unamortised discounts	(393)	(423)	(1,464)	(1,563)
	<u>806,767</u>	<u>806,376</u>	<u>805,696</u>	<u>805,236</u>

On 30 November 2017, the Company issued an unsecured 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 unsecured 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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**11. Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 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	35,139,506	167,866	(107,226)
(ii) 1 year to 3 years	173,447	309	(87)
- Swaps			
(i) Less than 1 year	8,573,950	39,111	(31,873)
(ii) 1 year to 3 years	3,445,711	21,652	(80,405)
(iii) More than 3 years	1,727,549	125,250	(3,805)
- Options			
(i) Less than 1 year	1,274,431	8,737	(3,073)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	3,733,221	155	(1,180)
- Swaps			
(i) Less than 1 year	19,830,195	54,045	(85,488)
(ii) 1 year to 3 years	22,282,800	75,764	(181,217)
(iii) More than 3 years	15,841,679	139,179	(313,162)
- Cross currency swaps			
(i) 1 year to 3 years	195,345	9,566	-
(ii) More than 3 years	107,120	1,993	(19,880)
Equity related contracts			
(i) Less than 1 year	549,249	4,419	(4,371)
(ii) 1 year to 3 years	119,766	4,233	(4,234)
Credit related contracts			
(i) More than 3 years	117,810	2,427	(2,427)
<b>Total</b>	<b>113,111,779</b>	<b>654,706</b>	<b>(838,428)</b>

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**11. Off-balance sheet financial instruments (continued)**

Details of financial instruments with off-balance sheet risk as at 30 June 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	28,736,198	104,423	(91,391)
(ii) 1 year to 3 years	70,414	-	(317)
- Swaps			
(i) Less than 1 year	6,993,879	45,134	(24,170)
(ii) 1 year to 3 years	2,787,703	19,450	(54,137)
(iii) More than 3 years	1,439,204	120,602	(9,555)
- Options			
(i) Less than 1 year	1,912,633	8,129	(4,416)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	17,695,321	32	(3,074)
- Swaps			
(i) Less than 1 year	25,383,309	62,896	(70,300)
(ii) 1 year to 3 years	24,212,428	68,834	(157,629)
(iii) More than 3 years	16,788,596	116,174	(289,333)
- Cross currency swaps			
(i) 1 year to 3 years	194,295	12,514	-
(ii) More than 3 years	107,120	3,121	(19,299)
Equity related contracts			
(i) Less than 1 year	627,537	4,815	(4,761)
(ii) 1 year to 3 years	127,853	3,053	(3,053)
Credit related contracts			
(i) More than 3 years	82,753	1,008	(1,008)
<b>Total</b>	<b>127,159,243</b>	<b>570,185</b>	<b>(732,443)</b>

**The Company**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	100,000	-	(135)
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>(135)</b>

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

**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 RM83,841,000 (2019: RM41,912,000) and RM57,151,792,000 (2019: RM79,552,125,000) respectively.

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**11. Off-balance sheet financial instruments (continued)**

**Market risk (continued)**

Derivatives

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

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM656,632,000 (2019: RM580,235,000). 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.

**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.

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**11. Off-balance sheet financial instruments (continued)**

**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.

**12. 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.

**13. Dividend**

A single-tier interim dividend of 13 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share: 13 sen per share
- (ii) Previous corresponding period: 13 sen per share
- (iii) Entitlement date: 12 December 2019
- (iv) Payment date: 27 December 2019

**14. Earnings per share**

- (a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Net profit attributable to equity holders	490,201	505,695	490,201	505,695
Weighted average number of ordinary shares ('000)	1,137,200	1,144,998	1,137,200	1,144,998
<b>Basic earnings per share (sen)</b>	<b>43.1</b>	<b>44.2</b>	<b>43.1</b>	<b>44.2</b>

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**14. Earnings per share (continued)**

(a) Basic earnings per share (continued)

	The Company		The Company	
	Current quarter ended 30/09/2019 RM '000	Last year quarter ended 30/09/2018 RM '000	Current year to date 30/09/2019 RM '000	Last year to date 30/09/2018 RM '000
Net loss attributable to equity holders	(20,564)	(23,446)	(20,564)	(23,446)
Weighted average number of ordinary shares ('000)	1,138,293	1,147,516	1,138,293	1,147,516
<b>Basic earnings per share (sen)</b>	<b>(1.8)</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>(2.0)</b>

(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 27 November 2019