

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
THE GROUP		
Assets		
Cash and short-term funds	11,299,078	8,613,481
Deposits and placements with banks and other financial institutions	9,078,939	10,062,870
Securities purchased under resale agreements	50,172	-
Financial assets at fair value through profit or loss	23,721,031	24,422,067
Financial investments at fair value through other comprehensive income	28,549,073	24,965,425
Financial investments at amortised cost	20,969,566	15,888,863
Derivative financial instruments	1,176,645	570,185
Loans, advances and financing	145,520,789	137,057,616
Clients' and brokers' balances	575,973	482,445
Other receivables	1,811,640	1,332,662
Statutory deposits with Central Banks	418,120	4,626,092
Tax recoverable	12,792	224
Investment in associated companies	5,625,998	5,280,376
Property and equipment	1,461,528	1,540,533
Right-of-use assets	243,990	-
Investment properties	472,610	489,500
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	204,598	139,628
Total Assets	253,603,186	237,882,611
Liabilities		
Deposits from customers	171,237,064	161,887,885
Investment accounts of customers	356,475	2,235
Deposits and placements of banks and other financial institutions	8,574,291	9,780,544
Obligations on securities sold under repurchase agreements	3,124,132	2,333,916
Bills and acceptances payable	134,053	393,022
Derivative financial instruments	1,401,916	732,443
Clients' and brokers' balances	305,385	282,521
Payables and other liabilities	15,197,187	13,234,447
Lease liabilities	231,268	-
Recourse obligations on loans/financing sold to Cagamas Berhad	1,049,005	253,591
Provision for claims	223,029	132,442
Provision for taxation	213,569	113,705
Deferred tax liabilities	174,012	230,248
Borrowings	1,152,827	1,398,277
Subordinated obligations	1,906,982	2,160,432
Innovative Tier 1 capital securities	-	464,273
Multi-currency Additional Tier 1 capital securities	806,499	806,376
Insurance funds	16,462,741	15,075,217
Total Liabilities	222,550,435	209,281,574
Equity		
Share capital	2,267,008	2,267,008
Capital reserves	1,711,245	1,678,535
Retained profits	16,910,345	15,196,453
Fair value reserve	248,248	116,503
Treasury shares for ESOS	(238,834)	(161,909)
Total Shareholders' Equity	20,898,012	19,096,590
Non-controlling interests	10,154,739	9,504,447
Total Equity	31,052,751	28,601,037
Total Liabilities and Equity	253,603,186	237,882,611
Commitments and Contingencies	154,878,884	174,185,694
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	18.43	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 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
THE GROUP				
Interest income	1,403,342	1,618,552	6,246,377	6,638,000
Interest income for financial assets at fair value through profit or loss	61,175	115,671	316,685	449,813
Interest expense	(776,072)	(1,010,562)	(3,591,570)	(4,113,247)
Net interest income	688,445	723,661	2,971,492	2,974,566
Income from Islamic banking business	234,071	174,981	846,540	707,269
Non-interest income	506,643	443,206	1,439,793	1,596,175
Net income	1,429,159	1,341,848	5,257,825	5,278,010
Overhead expenses	(576,322)	(615,562)	(2,359,403)	(2,380,884)
Operating profit before allowances	852,837	726,286	2,898,422	2,897,126
Allowance for impairment losses on loans, advances and financing and other losses	(189,657)	(47,079)	(329,631)	(12,294)
(Allowance for)/writeback of impairment losses on other assets	(534)	646	(237)	1,108
	662,646	679,853	2,568,554	2,885,940
Share of results of associated companies	195,638	160,044	730,967	619,700
Profit before taxation	858,284	839,897	3,299,521	3,505,640
Taxation	(92,799)	(129,164)	(520,566)	(591,379)
Net profit for the financial year	765,485	710,733	2,778,955	2,914,261
Attributable to:				
Owners of the parent	525,141	468,702	1,857,502	1,919,359
Non-controlling interests	240,344	242,031	921,453	994,902
Net profit for the financial year	765,485	710,733	2,778,955	2,914,261
Earnings per share - basic (sen)	46.3	41.0	163.6	167.8

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 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
THE GROUP				
Net profit for the financial year	765,485	710,733	2,778,955	2,914,261
Other comprehensive income in respect of:				
<u>Items that will not be reclassified to profit or loss</u>				
Equity instruments at fair value through other comprehensive income				
- Net fair value changes	15,763	11,796	15,763	11,796
- Net gain on disposal	43	105	43	105
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive income of associated companies	29,989	12,092	21,255	22,637
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	327,247	85,463	212,229	333,905
- Net (loss)/gain on disposal	(6,930)	455	(6,930)	455
- Changes in expected credit losses	873	(924)	700	(924)
Net fair value changes in cash flow hedge	3,459	(1,550)	(7,633)	(4,531)
Currency translation differences	4,270	(8,865)	84,035	(19,048)
Income tax relating to components of other comprehensive income	(68,167)	(17,399)	(43,448)	(73,550)
Other comprehensive income for the financial year, net of tax	306,547	81,173	276,014	270,845
Total comprehensive income for the financial year, net of tax	1,072,032	791,906	3,054,969	3,185,106
Attributable to:				
Owners of the parent	731,271	525,031	2,042,646	2,103,805
Non-controlling interests	340,761	266,875	1,012,323	1,081,301
	1,072,032	791,906	3,054,969	3,185,106

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 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	15,810	84,496
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	292,671	-
Other receivables	45,836	4,157
Tax recoverable	10,748	-
Deferred tax assets	83	135
Investment in subsidiary companies	19,497,956	19,498,076
Property and equipment	3,578	4,179
Right-of-use assets	5,955	-
Intangible assets	2	3
Total Assets	19,875,999	19,594,406
<u>Liabilities</u>		
Derivative financial instruments	-	135
Payables and other liabilities	8,569	33,918
Lease liabilities	5,905	-
Provision for taxation	-	766
Borrowings	1,208,506	1,453,881
Subordinated obligations	1,600,594	1,600,205
Multi-currency Additional Tier 1 capital securities	805,639	805,236
Total Liabilities	3,629,213	3,894,141
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	271,942	271,667
Retained profits	13,888,423	13,313,734
Treasury shares for ESOS	(180,587)	(152,144)
Total Equity	16,246,786	15,700,265
Total Liabilities and Equity	19,875,999	19,594,406
Commitments and Contingencies	-	100,000

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 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
THE COMPANY				
Interest income	27,769	18,304	111,504	53,062
Interest expense	(39,076)	(29,626)	(162,299)	(105,162)
Net interest expense	(11,307)	(11,322)	(50,795)	(52,100)
Non-interest income	1,031	2,797	784,233	693,084
Net (expense)/income	(10,276)	(8,525)	733,438	640,984
Overhead expenses	6,169	(11,300)	(19,032)	(44,524)
(Allowance for)/writeback of impairment losses on other assets	(292)	(2,146)	3	(2,146)
(Loss)/profit before taxation	(4,399)	(21,971)	714,409	594,314
Taxation	8,667	542	8,204	(4,107)
Net profit/(loss) for the financial year	4,268	(21,429)	722,613	590,207
Earnings per share - basic (sen)	0.4	(1.9)	63.5	51.5

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
THE COMPANY				
Net profit/(loss) for the financial year	4,268	(21,429)	722,613	590,207
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income/(loss) for the financial year, net of tax	4,268	(21,429)	722,613	590,207

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 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
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 year	-	-	-	-	-	-	-	1,857,502	-	1,857,502	921,453	2,778,955
Currency translation differences	-	-	-	-	-	-	57,143	-	-	57,143	26,892	84,035
Share of other comprehensive income of associated companies	-	-	15,754	-	-	-	-	-	-	15,754	5,501	21,255
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	10,336	-	-	-	-	-	-	10,336	5,427	15,763
- Net gain on disposal	-	-	-	-	-	-	-	36	-	36	7	43
- Debt instruments												
- Net fair value changes	-	-	105,326	-	-	-	-	-	-	105,326	54,854	160,180
- Changes in expected credit losses	-	-	329	-	-	-	-	-	-	329	173	502
Net fair value changes in cash flow hedge	-	-	-	(3,780)	-	-	-	-	-	(3,780)	(1,984)	(5,764)
Total comprehensive income/(loss)	-	-	131,745	(3,780)	-	-	57,143	1,857,538	-	2,042,646	1,012,323	3,054,969
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(9,419)	-	-	-	-	-	9,419	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(10,670)	-	(10,670)	10,670	-
Dividends paid	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(377,174)	(377,174)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,473	4,473
Options charge arising from executive share scheme	-	-	-	-	-	(3,892)	-	-	-	(3,892)	-	(3,892)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(76,958)	(76,958)	-	(76,958)
Exercise of executive share scheme	-	-	-	-	-	(7,342)	-	5,529	33	(1,780)	-	(1,780)
As at 30 June 2020	2,267,008	860,504	248,248	(5,570)	213,314	74,895	568,102	16,910,345	(238,834)	20,898,012	10,154,739	31,052,751

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
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
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	1,919,359	-	1,919,359	994,902	2,914,261
Currency translation differences	-	-	-	-	-	-	(10,340)	-	-	(10,340)	(8,708)	(19,048)
Share of other comprehensive income/(loss) of associated companies	-	-	18,366	-	-	-	-	(525)	-	17,841	4,796	22,637
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	7,737	-	-	-	-	-	-	7,737	4,059	11,796
- Net (loss)/gain on disposal	-	-	(33)	-	-	-	-	102	-	69	36	105
- Debt instruments												
- Net fair value changes	-	-	172,038	-	-	-	-	-	-	172,038	87,737	259,775
- Changes in expected credit losses	-	-	(565)	-	-	-	-	-	-	(565)	(297)	(862)
Net fair value changes in cash flow hedge	-	-	-	(2,334)	-	-	-	-	-	(2,334)	(1,224)	(3,558)
Total comprehensive income/(loss)	-	-	197,543	(2,334)	-	-	(10,340)	1,918,936	-	2,103,805	1,081,301	3,185,106
Transaction with owners												
Transfer to regulatory reserve	-	108,522	-	-	-	-	-	(108,522)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(9,255)	-	(9,255)	9,255	-
Dividends paid	-	-	-	-	-	-	-	(480,087)	-	(480,087)	-	(480,087)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(376,481)	(376,481)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,450	4,450
Non-controlling interests subscription of shares	-	-	-	-	-	-	-	-	-	-	35,000	35,000
Options charge arising from executive share scheme	-	-	-	-	-	41,129	-	-	-	41,129	-	41,129
Purchase of treasury shares	-	-	-	-	-	-	-	-	(152,141)	(152,141)	-	(152,141)
Exercise of executive share scheme	-	-	-	-	-	(5,254)	-	15,922	12,918	23,586	-	23,586
As at 30 June 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

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM849,259,000 (30 June 2019: RM858,678,000) 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 June 2019: RM11,245,000).

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HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital RM '000	Other capital reserve RM '000	Share options reserve RM '000	Treasury shares for ESOS RM '000	Retained profits RM '000	Total equity RM '000
<u>THE COMPANY</u>						
As at 1 July 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net profit for the financial year	-	-	-	-	722,613	722,613
Dividends paid	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme	-	-	275	-	-	275
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
As at 30 June 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
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 profit for the financial year	-	-	-	-	590,207	590,207
Dividends paid	-	-	-	-	(480,087)	(480,087)
Options charge arising from executive share scheme	-	-	12,507	-	-	12,507
Purchase of treasury shares	-	-	-	(152,141)	-	(152,141)
As at 30 June 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265

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

CONDENSED FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	The Group		The Company	
	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000
Profit before taxation	3,299,521	3,505,640	714,409	594,314
Adjustment for non-cash items	(165,730)	(4,642)	(722,473)	(614,936)
Operating profit/(loss) before working capital changes	3,133,791	3,500,998	(8,064)	(20,622)
Income tax paid	(601,729)	(712,210)	(3,258)	(5,372)
Interest received	972	822	972	1,213
Changes in working capital				
Net changes in operating assets	(99,440)	(19,781,275)	(334,521)	338
Net changes in operating liabilities	11,201,194	5,287,332	(25,680)	19,959
Net cash generated from/(used in) operating activities	13,634,788	(11,704,333)	(370,551)	(4,484)
Cash flows from investing activities				
Net (purchases)/sales of financial investments at fair value through other comprehensive income	(3,014,098)	2,088,475	-	-
Net (purchases)/sales of financial investments at amortised cost	(5,080,703)	442,671	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,173,357	1,326,979	-	-
Purchase of intangible assets	(32,892)	(16,029)	-	(3)
Purchase of property and equipment	(199,357)	(136,507)	(147)	(26)
Net proceeds from disposal of property and equipment	6,363	2,116	-	1
Dividends received from other investments	58,399	94,436	1,800	1,287
Dividends received from subsidiary companies	-	-	773,246	681,419
Dividends received from associated companies	27,984	164,392	-	-
Proceeds from liquidation	-	-	83	21
Proceeds from divestment of joint venture	-	60,606	-	-
Investment in debt instrument issued by subsidiary companies				
- Multi-currency Additional Tier 1 capital securities	-	-	-	(400,000)
- Subordinated obligations	-	-	-	(1,100,000)
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	39,503	20,520
- Interest on subordinated obligations	-	-	71,152	24,300
Net cash (used in)/generated from investing activities	(7,060,947)	4,027,139	885,637	(772,481)
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(147,924)	(480,087)	(147,924)	(480,087)
Dividends paid to non-controlling interests	(377,174)	(376,481)	-	-
Purchase of treasury shares	(76,958)	(152,141)	(28,443)	(152,141)
Cash received from ESS exercised	726	23,589	-	-
Repayment of lease liabilities	(58,077)	-	(1,095)	-
(Repayment of)/proceeds from revolving credit	(225,000)	220,000	(225,000)	220,000
Proceeds from medium term notes and commercial papers	125,000	220,000	125,000	220,000
Repayment of medium term notes and commercial papers	-	(520,000)	-	(575,000)
Proceeds from senior notes	-	375,000	-	400,000
Repayment of innovative Tier 1 capital securities	(453,200)	(10,000)	-	-
Repayment of term loans	(145,000)	(200,000)	(145,000)	(200,000)
Proceeds from Multi-currency Additional Tier 1 capital securities	-	400,000	-	400,000
Proceeds from subordinated obligations	300,000	1,100,000	-	1,100,000
Repayment of subordinated obligations	(550,000)	(1,740,500)	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	993,447	50,000	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(200,050)	-	-	-
Non-controlling interests subscription of shares	-	35,000	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(40,306)	(20,821)	(40,306)	(21,685)
Interest paid on subordinated obligations	(100,104)	(141,619)	(72,277)	(26,422)
Interest paid on borrowings	(48,653)	(48,650)	(48,727)	(48,670)
Interest paid on innovative Tier 1 capital securities	(19,374)	(39,258)	-	-
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(24,766)	(7,600)	-	-
Net cash (used in)/generated from financing activities	(1,047,413)	(1,313,568)	(583,772)	835,995
Net increase/(decrease) in cash and cash equivalents	5,526,428	(8,990,762)	(68,686)	59,030
Effects of exchange rate changes	50,831	66,831	-	-
Cash and cash equivalents at 1 July	6,760,957	15,684,888	84,556	25,526
Cash and cash equivalents at 30 June	12,338,216	6,760,957	15,870	84,556
Analysis of cash and cash equivalents				
Cash and short-term funds	11,299,078	8,613,481	15,810	84,496
Deposits and placements with banks and other financial institutions	9,078,939	10,062,870	3,360	3,360
	20,378,017	18,676,351	19,170	87,856
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(8,039,801)	(11,915,394)	(3,300)	(3,300)
	12,338,216	6,760,957	15,870	84,556

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 196801000439 (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:

- (i) • MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The adoption of the above new standards, annual improvements, amendments to published standards and interpretation are not expected to have significant 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.

- (ii) Bank Negara Malaysia's ("BNM") Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking

On 27 September 2019, BNM issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions with updates to clarify on the classification of a credit facility as credit impaired including where the credit facility is rescheduled and restructured, effective 1 October 2019.

The application of the revised policy document will affect disclosure, measurement and classification of a rescheduled and restructured credit facility as credit impaired.

- (iii) Measures to Assist Individuals, Small-Medium Enterprises ("SMEs") and Corporates Affected by COVID-19

On 25 March 2020, BNM had announced a number of regulatory and supervisory measures in support of efforts by banking institutions to assist individuals, SMEs and corporations to manage the impact of the COVID-19 outbreak.

Banking institutions will grant an automatic moratorium on all loans/financing repayments for a period of 6 months, with effect from 1 April 2020 to all individuals and SMEs. This offer is applicable to performing loans, denominated in Malaysia Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, banking institutions will offer the option to convert the outstanding balances into term loan of not more than 3 years.

Banking institutions will also facilitate requests by corporations to defer or restructure their loans/financing repayments in a way that will enable viable corporations to preserve jobs and resume economic activities when conditions improve.

To further support lending/financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The implementation of the Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80%. Banking institutions are expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
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1. Basis of preparation (continued)

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 year. 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 from those estimates.

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

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 year ended 30 June 2020 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. The Group has decided not to recommend any award of 30% (5,925,000 shares) ESOS due to non-performance of KPIs.

During the financial year ended 30 June 2020, 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 June 2020, 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 3,000,000 units of shares for RM48,515,101 and exercised 2,000 ordinary shares at the adjusted exercise price of RM16.61, pursuant to the Company's ESS during the financial year ended 30 June 2020.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 June 2020 was 4,081,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,246,303 which have been classified as Treasury Shares for ESOS at the Group level.

b) Repayment of debt and equity securities

On 10 September 2019, Hong Leong Bank Berhad had fully redeemed the RM500.0 million nominal value of Innovative Tier 1 Capital Securities bearing coupon rate of 8.25% per annum.

On 6 November 2019, Hong Leong Investment Bank Berhad had fully redeemed the RM50.0 million nominal value of Tier 2 Subordinated Notes.

On 7 February 2020, Hong Leong Assurance Berhad ("HLA") had fully redeemed the RM500.0 million nominal value of Subordinated Notes.

6. Issuance and repayment of debt and equity securities (continued)

c) Issuance of debt and equity securities

On 3 February 2020, HLA issued RM300.0 million nominal value of Subordinated Notes ("Sub-Notes") under a proposed Sub-Notes Programme or Subordinated Sukuk Programme with combine limit up to RM2.0 billion in nominal value to raise funds for general working and/or business operations purpose. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 basis with a coupon rate of 3.85% per annum. The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

7. Dividends paid

A first interim single-tier dividend of 13.0 sen per share amounting to RM147.9 million was paid on 27 December 2019.

8. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Business segments

The Group comprises the following main business segments:

Commercial banking	Commercial banking business
Investment banking and asset management	Investment banking, futures and stockbroking, fund and unit trust management
Insurance	Life and general insurance and family takaful business
Other operations	Investment holding and provision of management services

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8. Segmental reporting (continued)

The Group 30 June 2020	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	4,764,262	233,003	292,238	(31,678)	-	5,257,825
Inter-segment revenue	14,094	(278)	1,331	755,030	(770,177)	-
Segment revenue	<u>4,778,356</u>	<u>232,725</u>	<u>293,569</u>	<u>723,352</u>	<u>(770,177)</u>	<u>5,257,825</u>
Results						
Segment results	2,347,064	95,750	167,790	714,313	(756,363)	2,568,554
Share of results of associated companies						<u>730,967</u>
Profit before taxation						<u>3,299,521</u>
Taxation						<u>(520,566)</u>
Net profit for the financial year						<u>2,778,955</u>
Non-controlling interests						<u>(921,453)</u>
Profit attributable to owners of the parent						<u><u>1,857,502</u></u>
Other information						
Segment assets	221,277,917	4,288,378	24,434,003	19,876,055	(16,273,167)	<u>253,603,186</u>
Segment liabilities	194,043,618	3,448,068	21,109,526	3,630,858	318,365	<u>222,550,435</u>

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 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

8. Segmental reporting (continued)

The Group 30 June 2019	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	4,702,559	199,387	422,471	(46,407)	-	5,278,010
Inter-segment revenue	23,276	(511)	1,942	677,448	(702,155)	-
Segment revenue	4,725,835	198,876	424,413	631,041	(702,155)	5,278,010
Results						
Segment results	2,622,909	76,732	272,629	594,233	(680,563)	2,885,940
Share of results of associated companies						619,700
Profit before taxation						3,505,640
Taxation						(591,379)
Net profit for the financial year						2,914,261
Non-controlling interests						(994,902)
Profit attributable to owners of the parent						1,919,359
Other information						
Segment assets	207,369,415	4,581,194	22,623,114	19,594,576	(16,285,688)	237,882,611
Segment liabilities	181,895,028	3,783,587	19,463,500	3,895,806	243,653	209,281,574

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9. Financial assets at fair value through profit or loss

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Money market instruments:		
Government treasury bills	579,866	21,900
Malaysian Government securities	2,122,321	3,770,728
Malaysian Government investment certificates	1,376,527	1,957,141
Negotiable instruments of deposit	1,567,157	1,472,835
Khazanah bonds	19,999	136,726
Cagamas bonds	166,697	81,403
Other Government securities	5,596,569	5,382,979
	<u>11,429,136</u>	<u>12,823,712</u>
Quoted securities:		
Shares in Malaysia	2,718,986	2,732,371
Shares outside Malaysia	510,842	297,944
Wholesale fund/unit trust investments	1,029,029	634,762
Foreign currency bonds in Malaysia	159,401	60,375
Foreign currency bonds outside Malaysia	145,069	108,167
Investment-linked funds	311	285
Loan stocks	1,336	1,178
	<u>4,564,974</u>	<u>3,835,082</u>
Unquoted securities:		
Shares in Malaysia	354,383	326,621
Foreign currency bonds outside Malaysia	343,648	332,979
Corporate bonds and sukuk	7,003,890	7,072,807
Redeemable preference shares	25,000	30,866
	<u>7,726,921</u>	<u>7,763,273</u>
Total financial assets at fair value through profit or loss	<u>23,721,031</u>	<u>24,422,067</u>

	The Company	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Quoted securities:		
Unit trust investments	292,671	-

10. Financial investments at fair value through other comprehensive income

	Note	The Group	
		As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
At fair value			
Debt instruments	(a)	28,488,979	24,921,094
Equity instruments	(b)	60,094	44,331
		<u>28,549,073</u>	<u>24,965,425</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	487,768	-
Malaysian Government securities	2,148,086	1,656,380
Malaysian Government investment certificates	8,339,999	6,334,482
Negotiable instruments of deposit	950,404	1,197,900
Other Government securities	312,507	694,508
Khazanah bonds	529,373	272,685
Cagamas bonds	1,717,798	1,367,584
	<u>14,485,935</u>	<u>11,523,539</u>

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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Foreign currency bonds in Malaysia	2,131,473	1,776,207
Foreign currency bonds outside Malaysia	1,353,402	1,638,380
	<u>3,484,875</u>	<u>3,414,587</u>
Unquoted securities:		
Malaysian Government sukuk	554,124	350,898
Corporate bonds and sukuk	9,160,750	7,995,442
Foreign currency bonds in Malaysia	306,295	973,343
Foreign currency bonds outside Malaysia	497,000	663,285
	<u>10,518,169</u>	<u>9,982,968</u>
	<u>28,488,979</u>	<u>24,921,094</u>

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	
The Group				
30 June 2020				
As at 1 July	1,872	-	16,550	18,422
New financial assets originated or purchased	2,082	-	-	2,082
Financial assets derecognised	(1,177)	-	-	(1,177)
Changes due to change in credit risk	(215)	-	-	(215)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(3)	-	447	444
As at 30 June	<u>2,539</u>	<u>-</u>	<u>16,997</u>	<u>19,536</u>
30 June 2019				
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	<u>1,872</u>	<u>-</u>	<u>16,550</u>	<u>18,422</u>

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	60,094	44,331

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11. Financial investments at amortised cost

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Money market instruments:		
Government treasury bills	-	53,820
Malaysian Government securities	3,056,052	260,010
Malaysian Government investment certificates	11,405,182	9,200,311
Khazanah bonds	316,038	304,266
Other Government securities	456,623	326,179
	<u>15,233,895</u>	<u>10,144,586</u>
Quoted securities:		
Foreign currency bonds in Malaysia	857,780	845,592
Foreign currency bonds outside Malaysia	145,577	151,587
	<u>1,003,357</u>	<u>997,179</u>
Unquoted securities:		
Malaysian Government sukuk	2,659,375	2,657,094
Corporate bonds and sukuk	2,056,192	2,037,237
Foreign currency bonds outside Malaysia	16,964	53,810
	<u>4,732,531</u>	<u>4,748,141</u>
Less: Expected credit losses	(217)	(1,043)
Total financial investments at amortised cost	<u>20,969,566</u>	<u>15,888,863</u>

Movements in expected credit losses of financial investments at amortised cost 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	
The Group				
30 June 2020				
As at 1 July	216	-	827	1,043
Financial assets derecognised	(22)	-	-	(22)
Changes due to change in credit risk	20	-	-	20
Amount written off	-	-	(827)	(827)
Exchange differences	3	-	-	3
As at 30 June	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>
30 June 2019				
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>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

12. Loans, advances and financing

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Overdrafts	3,590,801	3,863,555
Term loans/financing:		
- Housing and shop loans/financing	82,482,204	76,495,886
- Syndicated/term loans or financing	13,850,875	11,740,501
- Hire purchase receivables	17,006,512	17,634,182
- Ijarah receivables	161,188	-
- Other term loans/financing	8,962,217	8,192,827
Credit/charge card receivables	3,094,683	3,597,974
Bills receivable	2,680,254	1,061,015
Trust receipts	1,476,882	421,884
Policy and premium loans	509,817	544,109
Claims on customers under acceptance credits	5,235,605	8,029,521
Revolving credits	7,202,385	6,227,550
Staff loans/financing	143,111	138,804
Other loans/financing	365,302	371,329
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>
Fair value changes arising from fair value hedges	21,714	3,473
Allowance for impairment losses:		
- Expected credit losses	(1,262,761)	(1,264,994)
Total net loans, advances and financing	<u>145,520,789</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 RM1,023,078,000 (2019: RM236,439,000).

(a) By type of customers

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Domestic non-bank financial institutions	1,434,866	953,920
Domestic business enterprises:		
- Small and medium enterprises	22,700,453	21,504,631
- Others	20,773,294	19,303,934
Government and statutory bodies	1,892	2,037
Individuals	98,751,873	94,057,634
Other domestic entities	975,756	418,282
Foreign entities	2,123,702	2,078,699
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Fixed rate		
- Housing and shop loans/financing	1,577,809	1,641,152
- Hire purchase receivables	16,847,128	17,413,826
- Other fixed rate loans/financing	7,051,115	6,919,394
Variable rate		
- Base rate/base lending rate plus	102,135,209	94,502,743
- Cost plus	18,241,362	17,225,281
- Other variable rates	909,213	616,741
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>

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12. Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Purchase of securities	1,046,022	1,010,286
Purchase of transport vehicles	16,769,222	17,489,214
Purchase of landed properties		
- Residential	73,336,190	67,438,186
- Non-residential	17,244,621	16,369,237
Purchase of fixed assets (excluding landed properties)	1,102,078	988,287
Personal use	3,437,021	3,389,881
Credit card	3,094,683	3,597,974
Construction	2,612,109	2,006,223
Mergers and acquisition	151,784	312,445
Working capital	25,983,290	23,798,349
Other purposes	1,984,816	1,919,055
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>

(d) By geographical distribution

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Malaysia	138,992,892	131,208,547
Singapore	5,250,416	5,224,287
Vietnam	909,213	616,741
Cambodia	1,609,315	1,269,562
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>

(e) By residual contractual maturity

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Within one year	27,045,478	26,983,273
One year to less than three years	5,735,396	5,920,568
Three years to less than five years	10,647,842	9,612,277
Five years and more	103,333,120	95,803,019
Gross loans, advances and financing	<u>146,761,836</u>	<u>138,319,137</u>

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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
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 year	1,969,496	1,620,203
Reclassified as non-impaired during the financial year	(1,158,523)	(868,464)
Amount written back in respect of recoveries	(492,076)	(489,105)
Amount written off	(502,046)	(318,398)
Exchange differences	1,416	1,397
As at end of the financial year	<u>896,276</u>	<u>1,078,009</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.6%</u>	<u>0.8%</u>

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12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Purchase of securities	650	51
Purchase of transport vehicles	71,145	122,231
Purchase of landed properties		
- Residential	341,330	376,570
- Non-residential	150,277	169,127
Purchase of fixed assets (excluding landed properties)	4,648	5,325
Personal use	24,479	44,470
Credit card	24,568	32,505
Construction	9,663	17,350
Working capital	200,678	305,350
Other purposes	68,838	5,030
Gross impaired loans, advances and financing	<u>896,276</u>	<u>1,078,009</u>

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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Malaysia	887,929	1,070,808
Singapore	1,256	1,512
Vietnam	1,808	1,621
Cambodia	5,283	4,068
Gross impaired loans, advances and financing	<u>896,276</u>	<u>1,078,009</u>

(i) Movements in expected credit losses for loans, advances and financing 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	
The Group 30 June 2020				
As at 1 July	369,855	498,326	396,813	1,264,994
Changes in ECL due to transfer within stages	(89,949)	(133,376)	223,325	-
Transfer to Stage 1	16,041	(15,936)	(105)	-
Transfer to Stage 2	(105,849)	206,827	(100,978)	-
Transfer to Stage 3	(141)	(324,267)	324,408	-
New financial assets originated	55,633	2,236	4,170	62,039
Financial assets derecognised	(19,753)	(40,717)	(25,130)	(85,600)
Changes due to change in credit risk	262,813	117,887	192,992	573,692
Changes in models/risk parameters	(28,743)	(8,852)	(10,855)	(48,450)
Amount written off	-	-	(501,536)	(501,536)
Exchange differences	309	324	1,313	1,946
Other movements	-	-	(4,324)	(4,324)
As at 30 June	<u>550,165</u>	<u>435,828</u>	<u>276,768</u>	<u>1,262,761</u>

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14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
At amortised cost		
Fixed deposits	93,166,106	90,777,422
Negotiable instruments of deposits	8,949,638	9,823,072
Short-term placements	19,559,750	16,571,939
	<u>121,675,494</u>	<u>117,172,433</u>
Demand deposits	27,331,640	24,012,738
Savings deposits	21,018,664	17,706,562
Others	748,749	891,350
	<u>170,774,547</u>	<u>159,783,083</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	463,933	2,159,671
Fair value changes arising from designation at fair value through profit or loss*	(1,416)	(54,869)
	<u>462,517</u>	<u>2,104,802</u>
	<u>171,237,064</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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Government and statutory bodies	9,180,558	7,940,833
Business enterprises	66,853,926	65,288,256
Individuals	92,528,696	85,560,723
Others	2,673,884	3,098,073
	<u>171,237,064</u>	<u>161,887,885</u>

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

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Due within six months	100,691,104	93,925,096
More than six months to one year	19,802,680	21,763,420
More than one year to five years	999,959	1,440,321
More than five years	181,751	43,596
	<u>121,675,494</u>	<u>117,172,433</u>

15. Investment accounts of customers

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Unrestricted investment accounts	356,475	2,235

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16. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Licensed banks	5,492,524	7,379,378
Licensed investment banks	75,304	225,055
Licensed Islamic banks	-	140,000
Central banks	1,176,258	12,222
Other financial institutions	1,830,205	2,023,889
	8,574,291	9,780,544

Deposits and placements from central banks includes monies received by the Group under Government financing scheme 'BNM SRF SME Fund' as part of the Government support measure in response to COVID-19 pandemic for the purpose of SME lending at a below market rate with a six-year maturity amounting to RM1,011,970,000. The financing under the Government scheme is for lending at concession rates to SMEs.

17. Payables and other liabilities

	Note	The Group	
		As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Trade payables		3,425,048	3,062,424
Post employment benefits obligation - defined contribution plan		1,919	1,892
Loan advance payment		3,916,289	3,351,885
Treasury and cheque clearing		210,699	452,626
Treasury related payables		197,219	149,347
Sundry creditors and accruals		352,687	224,309
Provision for reinstatement cost		23,441	-
Provision for bonus and staff related expenses		211,345	222,387
Expected credit losses on financial guarantee contracts	(a)	8,480	7,928
Financial liabilities due to third party investors	(b)	5,609,138	4,816,377
Others		1,240,922	945,272
		15,197,187	13,234,447

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

The Group 30 June 2020	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	(53)	47	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(57)	57	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	177	1	-	178
Financial assets derecognised	(24)	(23)	-	(47)
Changes due to change in credit risk	772	(481)	(19)	272
Exchange differences	8	149	-	157
Other movements	-	-	(8)	(8)
As at 30 June	3,260	5,220	-	8,480

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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	Stage 1	Stage 2	Stage 3	Total ECL
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
30 June 2019	RM '000	RM '000	RM '000	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	<u>2,380</u>	<u>5,527</u>	<u>21</u>	<u>7,928</u>

(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 30/06/2020	As at 30/06/2019
	RM '000	RM '000
Post employment benefits obligation - defined contribution plan	46	45
Sundry creditors and accruals	1,627	20,848
Amount due to subsidiary companies	714	-
Provision for reinstatement cost	237	-
Provision for bonus and staff related expenses	5,945	13,025
	<u>8,569</u>	<u>33,918</u>

18. Interest income

	The Group		The Group	
	Current quarter ended 30/06/2020	Last year quarter ended 30/06/2019	Current year to date 30/06/2020	Last year to date 30/06/2019
	RM '000	RM '000	RM '000	RM '000
Loans, advances and financing*	1,003,640	1,207,171	4,650,372	4,841,206
Money at call and deposit placements with financial institutions	65,219	98,855	398,595	441,686
Securities purchased under resale agreements	49	1	49	952
Financial investments at fair value through other comprehensive income	197,587	200,652	728,038	872,786
Financial investments at amortised cost	130,475	102,123	445,319	454,193
Others	6,372	9,750	24,004	27,177
	<u>1,403,342</u>	<u>1,618,552</u>	<u>6,246,377</u>	<u>6,638,000</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>(4,019)</u>	<u>1,948</u>	<u>3,275</u>	<u>12,915</u>

*Note:

Included the net loss effects of RM90,751,000 attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

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18. Interest income (continued)

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Money at call and deposit placements with financial institutions	287	256	972	950
Subordinated obligations	17,659	8,225	71,024	26,467
Multi-currency Additional Tier 1 capital securities	9,823	9,823	39,508	25,382
Others	-	-	-	263
	<u>27,769</u>	<u>18,304</u>	<u>111,504</u>	<u>53,062</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Financial assets at fair value through profit or loss	<u>61,175</u>	<u>115,671</u>	<u>316,685</u>	<u>449,813</u>

20. Interest expense

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Deposits and placements of banks and other financial institutions	25,340	57,967	169,268	298,538
Deposits from customers	628,393	773,064	2,849,212	3,108,656
Short-term placements	68,922	107,315	344,652	429,986
Borrowings	10,775	10,995	48,278	51,556
Subordinated obligations	20,757	35,765	96,654	142,104
Recourse obligations on loans sold to Cagamas Berhad	2,603	1,895	6,588	7,602
Innovative Tier 1 capital securities	-	10,443	8,413	41,053
Multi-currency Additional Tier 1 capital securities	10,010	10,010	40,262	25,828
Others	9,272	3,108	28,243	7,924
	<u>776,072</u>	<u>1,010,562</u>	<u>3,591,570</u>	<u>4,113,247</u>

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Borrowings	10,793	11,013	48,352	51,617
Subordinated obligations	18,067	8,405	72,666	27,028
Multi-currency Additional Tier 1 capital securities	10,122	10,122	40,709	26,170
Others	94	86	572	347
	<u>39,076</u>	<u>29,626</u>	<u>162,299</u>	<u>105,162</u>

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21. Income from Islamic banking business

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Income derived from investment of depositors' funds and others*	399,514	355,550	1,574,201	1,455,046
Income derived from investment of shareholders' funds*	30,563	58,180	188,049	176,972
Income derived from investment of investment accounts	26,109	10	37,536	12
Income attributable to depositors	(212,676)	(238,753)	(928,214)	(924,754)
Income attributable to depositors on investment accounts	(9,439)	(6)	(25,032)	(7)
	<u>234,071</u>	<u>174,981</u>	<u>846,540</u>	<u>707,269</u>
Of which:				
Financing income earned on impaired financing and advances	61	561	996	1,553

*Note:

Included the net loss effects of RM51,716,000 attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

22. Non-interest income

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Net income from insurance business	129,628	112,466	232,003	318,878
Net brokerage and commissions from stockbroking business	27,859	12,288	75,959	51,868
Net unit trust and asset management income	11,166	12,886	56,899	50,199
Fee income:				
Commissions	25,581	36,924	142,217	148,490
Service charges and fees	10,111	12,380	43,739	51,723
Guarantee fees	2,512	4,084	13,291	15,488
Credit card related fees	39,850	59,001	199,483	239,129
Corporate advisory fees	594	1,649	3,526	6,499
Commitment fees	8,385	8,289	33,150	32,662
Fee on loans, advances and financing	4,042	9,208	38,112	37,193
Placement fees	72	3,827	8,353	5,852
Arranger fees	513	1,778	3,365	4,363
Other fee income	23,115	35,973	135,211	119,102
	<u>114,775</u>	<u>173,113</u>	<u>620,447</u>	<u>660,501</u>
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	44,224	52,970	141,792	126,024
Financial investments at fair value through other comprehensive income	122,154	87,910	391,143	168,261
Financial investments at amortised cost	-	-	-	15,902
Derivative financial instruments	(25,604)	(16,467)	(27,588)	(257,356)
	<u>140,774</u>	<u>124,413</u>	<u>505,347</u>	<u>52,831</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	14,661	22,724	54,716	94,233
Financial investments at fair value through other comprehensive income	-	-	3,683	203
	<u>14,661</u>	<u>22,724</u>	<u>58,399</u>	<u>94,436</u>

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22. Non-interest income (continued)

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	78,231	11,919	(13,096)	72,682
Derivative financial instruments	(12,090)	(60,765)	(149,749)	11,860
Investment property	(15,000)	(6,594)	(15,000)	(6,594)
	<u>51,141</u>	<u>(55,440)</u>	<u>(177,845)</u>	<u>77,948</u>
Net realised loss on fair value changes arising from fair value hedges	<u>(1,519)</u>	<u>(214)</u>	<u>(2,994)</u>	<u>(504)</u>
Net unrealised loss on fair value changes arising from fair value hedges	<u>(533)</u>	<u>(108)</u>	<u>(1,531)</u>	<u>(305)</u>
Other income:				
Foreign exchange gain	13,620	34,390	45,775	169,372
Rental income	1,189	4,128	7,812	9,135
Net gain on disposal of property and equipment	64	1,199	4,200	1,552
Net gain on divestment of joint venture	-	-	-	90,106
Other non-operating income	3,818	1,361	15,322	20,158
	<u>18,691</u>	<u>41,078</u>	<u>73,109</u>	<u>290,323</u>
Total non-interest income	<u>506,643</u>	<u>443,206</u>	<u>1,439,793</u>	<u>1,596,175</u>

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Fee income:				
Management fees	(680)	2,651	8,744	10,212
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	(35)	15	(35)	(51)
Derivative financial instruments	-	-	135	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	1,658	137	1,800	1,287
Subsidiary companies	-	-	773,246	681,419
Net unrealised gain on revaluation of:				
Derivative financial instruments	-	37	-	192
Other income:				
Gain from distribution on liquidation of subsidiary	-	-	83	21
Other non-operating income/(expense)	88	(43)	260	4
Total non-interest income	<u>1,031</u>	<u>2,797</u>	<u>784,233</u>	<u>693,084</u>

23. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	304,245	301,212	1,213,969	1,188,062
- Medical expenses	12,136	10,397	39,815	32,373
- Training and convention expenses	1,390	7,148	16,451	24,686
- Staff welfare	3,395	3,274	11,198	11,286
- Others	3,237	9,012	42,759	64,323
	<u>324,403</u>	<u>331,043</u>	<u>1,324,192</u>	<u>1,320,730</u>

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23. Overhead expenses (continued)

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
<u>Establishment costs</u>				
- Depreciation of property and equipment	35,401	35,571	141,702	139,467
- Depreciation of right-of-use assets	13,752	-	55,211	-
- Amortisation of intangible assets	16,112	14,830	63,387	59,854
- Rental of premises	1,056	16,483	4,051	66,991
- Information technology expenses	53,042	44,447	189,228	182,351
- Security services	6,613	7,562	28,476	28,807
- Electricity, water and sewerage	5,735	6,719	24,855	26,240
- Hire of plant and machinery	3,981	3,331	13,677	12,632
- Others	13,992	7,749	34,470	35,995
	<u>149,684</u>	<u>136,692</u>	<u>555,057</u>	<u>552,337</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	10,941	12,419	34,770	35,434
- Sales commission and credit card related fees	14,470	33,742	108,683	128,651
- Others	(1,396)	22,882	32,720	49,633
	<u>24,015</u>	<u>69,043</u>	<u>176,173</u>	<u>213,718</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,494	5,690	22,829	20,485
- Stationery and printing expenses	3,201	4,680	13,653	15,924
- Professional fees	25,288	26,862	94,073	92,861
- Insurance fees	11,424	9,946	44,147	42,102
- Stamp, postage and courier	4,463	3,977	15,719	15,431
- Credit card fees	10,034	11,423	45,771	43,056
- Travelling and transport expenses	1,034	1,333	4,442	4,869
- Registration and license fees	2,611	2,794	9,420	10,199
- Brokerage and commission	2,183	2,184	8,549	8,425
- Others	12,488	9,895	45,378	40,747
	<u>78,220</u>	<u>78,784</u>	<u>303,981</u>	<u>294,099</u>
	<u>576,322</u>	<u>615,562</u>	<u>2,359,403</u>	<u>2,380,884</u>

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	(1,053)	6,535	11,280	24,068
- Medical expenses	(38)	33	104	139
- Training and convention expenses	(1)	18	19	59
- Staff welfare	139	161	566	608
- Others	(6,740)	3,270	1,192	13,303
	<u>(7,693)</u>	<u>10,017</u>	<u>13,161</u>	<u>38,177</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	177	268	748	1,124
- Depreciation of right-of-use assets	235	-	940	-
- Amortisation of intangible assets	-	-	1	1
- Rental of premises	-	233	-	937
- Information technology expenses	41	24	133	141
- Electricity, water and sewerage	10	10	44	47
- Others	80	(121)	306	22
	<u>543</u>	<u>414</u>	<u>2,172</u>	<u>2,272</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	14	6	34	35
- Stationery and printing expenses	6	11	26	42
- Professional fees	245	305	1,200	1,175
- Management fees	532	351	2,130	2,081
- Travelling and transport expenses	-	3	24	47
- Others	184	193	285	695
	<u>981</u>	<u>869</u>	<u>3,699</u>	<u>4,075</u>
	<u>(6,169)</u>	<u>11,300</u>	<u>19,032</u>	<u>44,524</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	217,435	92,525	502,084	221,467
- Clients' and brokers' balances	82	(98)	1,806	(149)
- Other assets	(381)	-	-	-
Impaired loans, advances and financing:				
- Written off	4,704	3,918	17,976	17,679
- Recovered from bad debt written off	(32,183)	(49,266)	(192,235)	(226,703)
	<u>189,657</u>	<u>47,079</u>	<u>329,631</u>	<u>12,294</u>

25. Allowance for/(writeback of) impairment losses on other assets

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	847	(220)	670	(968)
- Financial investments at amortised cost	(75)	(73)	(2)	189
- Other receivables	114	(19)	194	(302)
- Cash and short-term funds	(192)	(71)	(371)	47
- Deposits and placements with banks and other financial institutions	(160)	(263)	(254)	(74)
	<u>534</u>	<u>(646)</u>	<u>237</u>	<u>(1,108)</u>

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	292	2,146	(3)	2,146

26. Capital adequacy

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). 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 onwards. 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 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 24 March 2020 on additional measures to assist borrowers/customers affected by the COVID-19 outbreak. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by providing flexibilities for banking institutions to respond swiftly to the needs of their customers. To this effect, banking institutions are allowed to drawdown on the capital conservation buffer of 2.500%. However, BNM fully expects banking institutions to restore their buffers within a reasonable period after 31 December 2020 and to be in position to restore their buffers to the minimum regulatory requirements by 30 September 2021.

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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	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Before deducting proposed dividends								
CET 1 capital ratio	11.432%	10.903%	13.950%	13.627%	13.761%	13.266%	42.128%	30.907%
Tier 1 capital ratio	12.399%	11.895%	14.523%	14.585%	14.118%	14.074%	42.128%	30.907%
Total capital ratio	15.382%	14.968%	16.750%	16.839%	16.245%	16.203%	52.768%	43.489%
After deducting proposed dividends								
CET 1 capital ratio	11.225%	10.903%	13.657%	13.113%	13.395%	12.640%	35.500%	28.642%
Tier 1 capital ratio	12.193%	11.895%	14.230%	14.072%	13.752%	13.448%	35.500%	28.642%
Total capital ratio	15.175%	14.968%	16.456%	16.326%	15.879%	15.577%	46.139%	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	
	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000
CET 1 capital								
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	16,910,345	15,196,453	18,172,806	16,686,412	12,661,472	12,034,337	279,828	237,920
Other reserves	979,268	874,076	1,029,080	849,361	433,536	315,816	4,207	3,507
Qualifying non-controlling interests	5,727,807	5,398,860	-	-	-	-	-	-
Less: Treasury shares	(238,834)	(161,909)	(723,344)	(727,817)	(723,344)	(727,817)	-	-
Less: Other intangible assets	(190,515)	(128,331)	(187,505)	(125,225)	(168,060)	(110,895)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(31,380)	(31,129)
Less: Deferred tax assets	-	-	(86,578)	(16,030)	(55,984)	-	(85,925)	(80,926)
Less: Investment in subsidiary companies/ associated companies	(7,332,038)	(6,661,118)	(4,644,527)	(4,106,375)	(2,727,486)	(2,726,932)	(200)	(200)
Total CET 1 capital	15,776,754	14,438,752	19,467,683	18,468,077	15,387,650	14,752,025	419,480	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	
	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000	30/06/2020 RM '000	30/06/2019 RM '000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,695	799,577	799,654	799,523	799,654	799,523	-	-
Innovative Tier 1 capital securities	-	-	-	499,498	-	499,498	-	-
Qualifying non-controlling interests	535,266	513,375	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,334,961	1,312,952	799,654	1,299,021	799,654	1,299,021	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,334,961	1,312,952	799,654	1,299,021	399,654	899,021	-	-
Total Tier 1 capital	17,111,715	15,751,704	20,267,337	19,767,098	15,787,304	15,651,046	419,480	382,122
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,578,441	1,560,449	1,607,378	1,554,893	1,278,446	1,267,205	5,940	5,556
Subordinated obligations	1,599,820	1,599,790	1,499,970	1,499,970	1,499,970	1,499,970	100,000	150,000
Qualifying non-controlling interests	938,135	909,772	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,116,396	4,070,011	3,107,348	3,054,863	2,378,416	2,367,175	105,940	155,556
Total capital	21,228,111	19,821,715	23,374,685	22,821,961	18,165,720	18,018,221	525,420	537,678

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26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk *	126,275,278	120,247,407	128,590,231	124,391,420	102,275,706	101,376,433	476,122	444,468
Market risk	2,901,209	3,244,202	2,496,060	2,558,573	2,562,366	2,595,185	257,167	519,266
Operational risk	8,833,392	8,936,235	8,468,140	8,577,308	6,983,001	7,233,933	262,434	272,622
Total RWA	138,009,879	132,427,844	139,554,431	135,527,301	111,821,073	111,205,551	995,723	1,236,356

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM238,775,000 (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:

	Hong Leong Islamic Bank Berhad	
	30/06/2020	30/06/2019
Before deducting proposed dividends		
CET 1 capital ratio	10.871%	10.529%
Tier 1 capital ratio	12.432%	12.258%
Total capital ratio	<u>15.173%</u>	<u>15.150%</u>
After deducting proposed dividends		
CET 1 capital ratio	10.871%	10.529%
Tier 1 capital ratio	12.432%	12.258%
Total capital ratio	<u>15.173%</u>	<u>15.150%</u>

27. Events after Balance Sheet date

There are no material events subsequent to the end of the financial year ended 30 June 2020.

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28. Changes in composition of the Group

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

- (a) On 1 July 2019, Hong Leong Bank Berhad, a subsidiary of HLF, announced that it had placed EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. EB Nominees (Asing) is currently dormant and there are no future plans to activate the company.
- (b) HLF Assets Sdn Bhd, a wholly-owned subsidiary of HLF, was dissolved on 23 April 2020.
- (c) Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd, wholly-owned subsidiaries of HLF Credit (Perak) Bhd which in turn is a wholly-owned subsidiary of Hong Leong Bank Berhad, were dissolved on 18 May 2020.

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:

	The Group	
	30/06/2020	30/06/2019
	RM '000	RM '000
Direct credit substitutes	134,166	118,740
Certain transaction related contingent items	1,489,056	1,446,851
Short-term self liquidating trade related contingencies	538,144	674,511
Obligations under underwriting agreement	-	18,860
Irrevocable commitments to extend credit:		
- Less than one year	20,856,358	19,020,280
- More than one year	17,807,310	17,720,606
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	52,352	-
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	894,438	750,103
Foreign exchange related contracts:		
- Less than one year	42,221,526	37,642,710
- One year to less than five years	4,089,668	3,995,994
- Five years and above	288,397	301,327
Interest rate related contracts:		
- Less than one year	20,322,617	43,078,630
- One year to less than five years	35,309,632	37,887,050
- Five years and above	2,719,803	3,415,389
Equity related contracts:		
- Less than one year	264,263	627,537
- One year to less than five years	136,115	127,853
Credit related contracts:		
- Five years and above	291,272	82,753
Unutilised credit card lines	7,463,767	7,276,500
Total	154,878,884	174,185,694

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30. Commitments and contingencies (continued)

(a) The notional/principal amount of the commitments and contingencies constitute the following: (continued)

	The Company	
	30/06/2020	30/06/2019
	RM '000	RM '000
Interest rate related contracts:		
- Less than one year	-	100,000

(b) Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("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).

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.

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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:

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
30 June 2020				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	11,429,136	-	11,429,136
- Quoted securities	4,564,974	-	-	4,564,974
- Unquoted securities	-	7,372,538	354,383	7,726,921
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	14,485,935	-	14,485,935
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	10,518,169	60,094	10,578,263
Derivative financial instruments	8	1,163,145	13,492	1,176,645
	<u>8,049,857</u>	<u>44,968,923</u>	<u>427,969</u>	<u>53,446,749</u>
<u>Financial liabilities</u>				
Derivative financial instruments	65	1,388,359	13,492	1,401,916
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	<u>65</u>	<u>1,850,876</u>	<u>13,492</u>	<u>1,864,433</u>
30 June 2019				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
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>
<u>Financial liabilities</u>				
Derivative financial instruments	2,940	721,691	7,812	732,443
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 year (2019: RM Nil).

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
30 June 2020				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
- Quoted securities	292,671	-	-	292,671
30 June 2019				
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments	-	135	-	135

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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
The Group	RM '000	RM '000	RM '000	RM '000
30 June 2020				
As at 1 July	326,621	44,331	7,812	7,812
Fair value changes recognised in statements of income	27,762	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
As at 30 June	<u>354,383</u>	<u>60,094</u>	<u>13,492</u>	<u>13,492</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	<u>27,762</u>	<u>-</u>	<u>(8,397)</u>	<u>(8,397)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	<u>-</u>	<u>15,763</u>	<u>-</u>	<u>-</u>

	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
The Group	RM '000	RM '000	RM '000	RM '000
30 June 2019				
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>

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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 4.59% and 5.29% respectively per annum.

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

	As at 30 June 2019 RM '000	Effects of adopting MFRS 16 RM '000	As restated 1 July 2019 RM '000
The Group			
Right-of-use assets	-	298,035	298,035
Lease liabilities	-	273,967	273,967
Payables and other liabilities	13,234,447	24,069	13,258,516
The Company			
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:

	As at 30 June 2019	Effects of adopting MFRS 16	As restated 1 July 2019
The Group			
CET 1 capital ratio	10.903%	-0.024%	10.879%
Tier 1 capital ratio	11.895%	-0.027%	11.868%
Total capital ratio	14.968%	-0.034%	14.934%

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

1. Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM858.3 million for the current quarter ended 30 June 2020 as compared to RM839.9 million in the previous corresponding quarter, an increase of RM18.4 million or 2.2%. The increase was mainly due to higher contribution from insurance, investment banking and stockbroking divisions.

Hong Leong Bank Group recorded a profit before tax of RM648.7 million for the current quarter ended 30 June 2020 as compared to RM733.1 million in the previous corresponding quarter, a decrease of RM84.3 million or 11.5%. The decrease was mainly due to higher allowance for impairment losses on loans, advances and financing of RM144.3 million and higher allowance for impairment losses on other assets of RM0.8 million. This was however mitigated by higher revenue of RM28.8 million, lower operating expenses of RM9.2 million and higher share of profit from associated companies of RM22.8 million.

HLA Holdings Group recorded a profit before tax of RM173.1 million for the current quarter ended 30 June 2020 as compared to RM104.5 million in the previous corresponding quarter, an increase of RM68.6 million or 65.6%. The increase was mainly due to higher revenue of RM15.3 million which RM17.7 million mainly contributed by unrealised gain on revaluation of equities, lower operating expenses of RM24.2 million, higher share of profit from associated company of RM12.8 million and higher life fund surplus of RM16.3 million.

Hong Leong Capital Group recorded a profit before tax of RM37.7 million for the current quarter ended 30 June 2020 as compared to RM20.8 million in the previous corresponding quarter, an increase of RM16.9 million or 81.3%. The increase was mainly due to higher contribution from the investment banking and stockbroking divisions.

Current year-to-date against previous year-to-date

HLFG Group recorded a profit before tax of RM3,299.5 million for the year ended 30 June 2020 as compared to RM3,505.6 million in the previous corresponding year, a decrease of RM206.1 million or 5.9%. The decrease was mainly due to lower contribution from the commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,989.4 million for the year ended 30 June 2020 as compared to RM3,186.0 million in the previous corresponding year, a decrease of RM196.6 million or 6.2%. The decrease was mainly due to higher operating expenses of RM12.2 million, higher allowance for impairment losses on loans, advances and financing of RM315.3 million and lower writeback of impairment losses on other assets of RM0.8 million. This was however mitigated by higher revenue of RM52.5 million and higher share of profit from associated companies of RM79.2 million.

HLA Holdings Group recorded a profit before tax of RM256.4 million for the year ended 30 June 2020 as compared to RM329.2 million in the previous corresponding year, a decrease of RM72.8 million or 22.1%. The decrease was mainly due to lower revenue of RM54.6 million of which RM23.2 million was due to unrealised loss on revaluation of equities, higher allowance for impairment losses on other assets of RM0.1 million and lower life fund surplus of RM76.2 million. This was however mitigated by lower operating expenses of RM26.1 million and higher share of profit from associated company of RM32.0 million.

Hong Leong Capital Group recorded a profit before tax of RM95.8 million for the year ended 30 June 2020 as compared to RM76.7 million in the previous corresponding year, an increase of RM19.1 million or 24.9%. This was mainly due to higher contribution from the asset management, investment banking and stockbroking divisions.

2. Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM858.3 million for the current quarter ended 30 June 2020 as compared to RM603.4 million in the preceding quarter, an increase of RM254.9 million or 42.2%. The increase was mainly due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM648.7 million for the current quarter ended 30 June 2020 as compared to RM637.2 million in the preceding quarter, an increase of RM11.5 million or 1.8%. The increase was mainly due to higher revenue of RM67.6 million and lower operating expenses of RM12.7 million. This was however offsetted by higher allowance for impairment losses on loans, advances and financing of RM65.4 million, higher allowance for impairment losses on other assets of RM2.3 million and lower share of profit from associated companies of RM1.1 million.

HLA Holdings Group recorded a profit before tax of RM173.1 million for the current quarter ended 30 June 2020 as compared to loss before tax of RM42.9 million in the preceding quarter, an increase of RM216.0 million or 503.5%. The increase was mainly due to higher revenue of RM76.4 million of which RM57.2 million was due to unrealised gain on revaluation of equities, lower operating expenses of RM11.5 million, higher life fund surplus of RM118.9 million and higher share of profit from associated company of RM9.2 million.

Hong Leong Capital Group recorded a profit before tax of RM37.7 million for the current quarter ended 30 June 2020 as compared to RM10.5 million in the preceding quarter, an increase of RM27.2 million or 259.0%. This was mainly due to higher contribution from the investment holding, investment banking and stockbroking and asset management divisions.

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3. Prospects for the next financial year

In the second quarter of 2020, the Malaysian economy showed a GDP contraction of -17.1%. However with the global Covid-19 pandemic, BNM expects the Malaysian GDP growth for 2020 to be between -3.5% to -5.5%. The business environment continues to be highly challenging with both domestic and global economies impacted by the implementation of restricted movement orders to stop and mitigate the spread of the pandemic.

We remain vigilant in prudently managing key business risks and expect the core strengths of our operating businesses in liquidity, capital and credit discipline to serve us well. We remain cautiously optimistic that the Malaysian economy will progressively recover in 2021.

Our strong digital offering enables us to keep in close contact and to serve our customers during these times. We will continue to further strengthen our digital strategy to build long term sustainable value for our shareholders.

4. Variance of actual profit from forecasted profit

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

5. Taxation

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Income tax	158,161	152,373	635,106	646,234
Transfer (to)/from deferred tax	(58,321)	26,332	(107,061)	(3,296)
	99,840	178,705	528,045	642,938
Prior year over provision	(7,041)	(49,541)	(7,479)	(51,559)
	92,799	129,164	520,566	591,379

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Income tax	90	1,550	530	6,200
Transfer from/(to) deferred tax	29	(59)	52	(60)
	119	1,491	582	6,140
Prior year over provision	(8,786)	(2,033)	(8,786)	(2,033)
	(8,667)	(542)	(8,204)	4,107

The effective tax rate for the Company for the current financial year 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.

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7. Borrowings

	The Group		The Company	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
Unsecured				
RM Term loans	5,001	150,058	5,001	150,058
RM Revolving credit	205,644	430,501	205,644	430,501
RM Medium term notes	223,027	222,950	253,445	253,368
RM Commercial papers	338,975	214,587	338,975	214,587
RM Senior notes	380,180	380,181	405,441	405,367
	<u>1,152,827</u>	<u>1,398,277</u>	<u>1,208,506</u>	<u>1,453,881</u>
Repayment of term loans				
- Less than one year	5,001	150,058	5,001	150,058
Repayment of revolving credit				
- Less than one year	205,644	430,501	205,644	430,501
Repayment of medium term notes				
- Less than one year	223,027	3,375	253,445	3,375
- One to three years	-	219,575	-	249,993
Repayment of commercial papers				
- Less than one year	338,975	214,587	338,975	214,587
Repayment of senior notes				
- Less than one year	5,530	5,530	5,455	5,455
- One to three years	374,650	374,651	399,986	399,912
	<u>1,152,827</u>	<u>1,398,277</u>	<u>1,208,506</u>	<u>1,453,881</u>

8. Subordinated obligations

	Note	The Group		The Company	
		As at 30/06/2020 RM '000	As at 30/06/2019 RM '000	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000
RM300.0 million Tier 2 subordinated debt, at par	(a)	300,000	500,000	-	-
Add: Interest payable		4,683	8,815	-	-
		<u>304,683</u>	<u>508,815</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		-	(1,089)	-	-
		<u>304,683</u>	<u>507,726</u>	<u>-</u>	<u>-</u>
RM50.0 million Tier 2 subordinated notes, at par	(b)	-	50,000	-	-
Add: Interest payable		-	406	-	-
		<u>-</u>	<u>50,406</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		-	(98)	-	-
		<u>-</u>	<u>50,308</u>	<u>-</u>	<u>-</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		2,479	2,608	2,479	2,608
		<u>1,602,479</u>	<u>1,602,608</u>	<u>1,602,479</u>	<u>1,602,608</u>
Less: Unamortised discounts		(180)	(210)	(1,885)	(2,403)
		<u>1,602,299</u>	<u>1,602,398</u>	<u>1,600,594</u>	<u>1,600,205</u>
		<u>1,906,982</u>	<u>2,160,432</u>	<u>1,600,594</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.

On 7 February 2020, HLA had fully redeemed the RM500.0 million nominal value of this Sub-Notes.

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8. Subordinated obligations (continued)

- (a) On 13 September 2019, HLA created an issuance of up to RM300.0 million in nominal value of Sub-Notes/subordinated sukuk ("Sub-Sukuk") under a proposed Sub-Notes Programme or Sub-Sukuk Programme with combine limit up to RM2.0 billion in nominal value to raise funds for general working capital and/or business operations purpose.

On 27 September 2019, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 3 February 2020, HLA completed its RM300.0 million Sub-Notes issuance. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 basis with a coupon rate of 3.85% 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.

On 6 November 2019, HLIB had fully redeemed the RM50.0 million nominal value of Sub-Notes.

- (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.

9. Innovative Tier 1 capital securities

	The Group	
	As at 30/06/2020 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
	-	464,663
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	-	464,273

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.

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10. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 30/06/2020 RM '000	As at 30/06/2019 RM '000	As at 30/06/2020 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	6,804	6,799	6,804	6,799
	<u>806,804</u>	<u>806,799</u>	<u>806,804</u>	<u>806,799</u>
Less: Unamortised discounts	(305)	(423)	(1,165)	(1,563)
	<u>806,499</u>	<u>806,376</u>	<u>805,639</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.

11. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2020

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	34,236,510	320,329	(194,060)
(ii) 1 year to 3 years	260,554	3,542	-
- Swaps			
(i) Less than 1 year	6,917,527	54,815	(99,482)
(ii) 1 year to 3 years	2,269,351	89,753	(46,348)
(iii) More than 3 years	1,848,160	82,187	(2,092)
- Options			
(i) Less than 1 year	1,067,489	6,746	(7,343)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	1,744,100	492	(65)
(ii) 1 year to 3 years	1,284,000	8	-
- Swaps			
(i) Less than 1 year	18,578,517	54,213	(83,659)
(ii) 1 year to 3 years	24,290,388	227,966	(509,539)
(iii) More than 3 years	12,150,652	295,485	(404,715)
- Cross currency swaps			
(i) 1 year to 3 years	197,275	6,436	-
(ii) More than 3 years	107,120	1,220	(21,158)
Equity related contracts			
(i) Less than 1 year	264,263	11,970	(11,972)
(ii) 1 year to 3 years	136,115	1,523	(1,523)
Credit related contracts			
(i) More than 3 years	291,272	19,960	(19,960)
Total	105,643,293	1,176,645	(1,401,916)

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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)
Total	127,159,243	570,185	(732,443)

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)
Total	100,000	-	(135)

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 year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM105,074,000 (2019: RM41,912,000) and RM55,595,557,000 (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 RM1,136,760,000 (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 final single-tier dividend of 25 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share: 25 sen per share
- (ii) Previous corresponding period: NIL
- (iii) Entitlement date: To be announced later
- (iv) Payment date: To be announced later

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 year.

	The Group		The Group	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Net profit attributable to equity holders	525,141	468,702	1,857,502	1,919,359
Weighted average number of ordinary shares ('000)	1,133,799	1,142,278	1,135,392	1,144,036
Basic earnings per share (sen)	46.3	41.0	163.6	167.8

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

14. Earnings per share (continued)

(a) Basic earnings per share (continued)

	The Company		The Company	
	Current quarter ended 30/06/2020 RM '000	Last year quarter ended 30/06/2019 RM '000	Current year to date 30/06/2020 RM '000	Last year to date 30/06/2019 RM '000
Net profit attributable to equity holders	4,268	(21,429)	722,613	590,207
Weighted average number of ordinary shares ('000)	1,137,881	1,143,967	1,137,985	1,146,293
Basic earnings per share (sen)	0.4	(1.9)	63.5	51.5

(b) Diluted earnings per share

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

Dated this 28 August 2020