

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

	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	7,739,627	11,299,078
Deposits and placements with banks and other financial institutions	8,152,862	9,078,939
Securities purchased under resale agreements	50,524	50,172
Financial assets at fair value through profit or loss	24,483,853	23,721,031
Financial investments at fair value through other comprehensive income	33,896,912	28,549,073
Financial investments at amortised cost	22,129,110	20,969,566
Derivative financial instruments	1,074,511	1,176,645
Loans, advances and financing	147,618,126	145,520,789
Clients' and brokers' balances	1,171,821	575,973
Other receivables	2,234,051	1,811,640
Statutory deposits with Central Banks	378,102	418,120
Tax recoverable	56,953	12,792
Investment in associated companies	5,834,808	5,625,998
Property and equipment	1,430,897	1,461,528
Right-of-use assets	237,979	243,990
Investment properties	472,610	472,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	220,610	204,598
<b>Total Assets</b>	<b>259,594,000</b>	<b>253,603,186</b>
<b><u>Liabilities</u></b>		
Deposits from customers	171,947,403	171,237,064
Investment accounts of customers	440,257	356,475
Deposits and placements of banks and other financial institutions	10,771,544	8,574,291
Obligations on securities sold under repurchase agreements	3,058,941	3,124,132
Bills and acceptances payable	153,790	134,053
Derivative financial instruments	1,612,666	1,401,916
Clients' and brokers' balances	1,002,498	305,385
Payables and other liabilities	15,869,020	15,197,187
Lease liabilities	226,691	231,268
Recourse obligations on loans/financing sold to Cagamas Berhad	1,042,063	1,049,005
Provision for claims	225,232	223,029
Provision for taxation	284,147	213,569
Deferred tax liabilities	226,511	174,012
Borrowings	871,762	1,152,827
Subordinated obligations	1,922,280	1,906,982
Multi-currency Additional Tier 1 capital securities	806,995	806,499
Insurance funds	17,115,578	16,462,741
<b>Total Liabilities</b>	<b>227,577,378</b>	<b>222,550,435</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,606,746	1,711,245
Retained profits	17,592,468	16,910,345
Fair value reserve	326,691	248,248
Treasury shares for ESOS	(238,970)	(238,834)
<b>Total Shareholders' Equity</b>	<b>21,553,943</b>	<b>20,898,012</b>
Non-controlling interests	10,462,679	10,154,739
<b>Total Equity</b>	<b>32,016,622</b>	<b>31,052,751</b>
<b>Total Liabilities and Equity</b>	<b>259,594,000</b>	<b>253,603,186</b>
<b>Commitments and Contingencies</b>	<b>165,503,242</b>	<b>154,878,884</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	19.01	18.43

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
<b>THE GROUP</b>				
Interest income	1,417,086	1,633,829	1,417,086	1,633,829
Interest income for financial assets at fair value through profit or loss	51,367	81,961	51,367	81,961
Interest expense	(644,530)	(959,613)	(644,530)	(959,613)
Net interest income	823,923	756,177	823,923	756,177
Income from Islamic banking business	218,580	199,791	218,580	199,791
Non-interest income	456,300	370,198	456,300	370,198
Net income	1,498,803	1,326,166	1,498,803	1,326,166
Overhead expenses	(600,624)	(582,158)	(600,624)	(582,158)
Operating profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	(101,058)	8,765	(101,058)	8,765
Allowance for impairment losses on other assets	(673)	(129)	(673)	(129)
	796,448	752,644	796,448	752,644
Share of results of associated companies	191,313	161,005	191,313	161,005
Profit before taxation	987,761	913,649	987,761	913,649
Taxation	(132,930)	(170,175)	(132,930)	(170,175)
Net profit for the financial period	<u>854,831</u>	<u>743,474</u>	<u>854,831</u>	<u>743,474</u>
Attributable to:				
Owners of the parent	587,033	490,201	587,033	490,201
Non-controlling interests	267,798	253,273	267,798	253,273
Net profit for the financial period	<u>854,831</u>	<u>743,474</u>	<u>854,831</u>	<u>743,474</u>
Earnings per share - basic (sen)	<u>51.8</u>	<u>43.1</u>	<u>51.8</u>	<u>43.1</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	854,831	743,474	854,831	743,474
Other comprehensive income/(loss) in respect of:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive loss of associated companies	(6,647)	(7,653)	(6,647)	(7,653)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	161,564	11,772	161,564	11,772
- Net loss on disposal	(2,740)	-	(2,740)	-
- Changes in expected credit losses	71	56	71	56
Net fair value changes in cash flow hedge	(48)	(811)	(48)	(811)
Currency translation differences	(17,023)	(103,841)	(17,023)	(103,841)
Income tax relating to components of other comprehensive income	(33,646)	(2,199)	(33,646)	(2,199)
Other comprehensive income/(loss) for the financial period, net of tax	101,531	(102,676)	101,531	(102,676)
Total comprehensive income for the financial period, net of tax	956,362	640,798	956,362	640,798
Attributable to:				
Owners of the parent	652,507	422,715	652,507	422,715
Non-controlling interests	303,855	218,083	303,855	218,083
	956,362	640,798	956,362	640,798

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

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

	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	18,169	15,810
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	10,977	292,671
Other receivables	995	45,836
Tax recoverable	10,681	10,748
Deferred tax assets	96	83
Investment in subsidiary companies	19,516,469	19,497,956
Property and equipment	3,377	3,578
Right-of-use assets	5,720	5,955
Intangible assets	2	2
<b>Total Assets</b>	<b>19,569,846</b>	<b>19,875,999</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	10,295	8,569
Lease liabilities	5,708	5,905
Borrowings	896,760	1,208,506
Subordinated obligations	1,618,860	1,600,594
Multi-currency Additional Tier 1 capital securities	806,205	805,639
<b>Total Liabilities</b>	<b>3,337,828</b>	<b>3,629,213</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	273,758	271,942
Retained profits	13,871,839	13,888,423
Treasury shares for ESOS	(180,587)	(180,587)
<b>Total Equity</b>	<b>16,232,018</b>	<b>16,246,786</b>
<b>Total Liabilities and Equity</b>	<b>19,569,846</b>	<b>19,875,999</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
<b>THE COMPANY</b>				
Interest income	27,928	27,966	27,928	27,966
Interest expense	(38,748)	(42,846)	(38,748)	(42,846)
Net interest expense	(10,820)	(14,880)	(10,820)	(14,880)
Non-interest income	1,489	3,795	1,489	3,795
Net expense	(9,331)	(11,085)	(9,331)	(11,085)
Overhead expenses	(7,307)	(9,873)	(7,307)	(9,873)
Writeback of impairment losses on other assets	195	323	195	323
Loss before taxation	(16,443)	(20,635)	(16,443)	(20,635)
Taxation	(141)	71	(141)	71
Net loss for the financial period	(16,584)	(20,564)	(16,584)	(20,564)
Earnings per share - basic (sen)	(1.5)	(1.8)	(1.5)	(1.8)

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
<b>THE COMPANY</b>				
Net loss for the financial period	(16,584)	(20,564)	(16,584)	(20,564)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive loss for the financial period, net of tax	(16,584)	(20,564)	(16,584)	(20,564)

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

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

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 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
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	587,033	-	587,033	267,798	854,831
Currency translation differences	-	-	-	-	-	-	(12,944)	-	-	(12,944)	(4,079)	(17,023)
Share of other comprehensive loss of associated companies	-	-	(4,358)	-	-	-	-	-	-	(4,358)	(2,289)	(6,647)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	82,828	-	-	-	-	-	-	82,828	42,451	125,279
- Changes in expected credit losses	-	-	(27)	-	-	-	-	-	-	(27)	(14)	(41)
Net fair value changes in cash flow hedge	-	-	-	(25)	-	-	-	-	-	(25)	(12)	(37)
Total comprehensive income/(loss)	-	-	78,443	(25)	-	-	(12,944)	587,033	-	652,507	303,855	956,362
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(95,578)	-	-	-	-	-	95,578	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(2,351)	-	(2,351)	2,351	-
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	1,734	1,734
Options charge arising from executive share scheme	-	-	-	-	-	3,560	-	-	-	3,560	-	3,560
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	488	-	1,863	-	2,351	-	2,351
<b>As at 30 September 2020</b>	<b>2,267,008</b>	<b>764,926</b>	<b>326,691</b>	<b>(5,595)</b>	<b>213,314</b>	<b>78,943</b>	<b>555,158</b>	<b>17,592,468</b>	<b>(238,970)</b>	<b>21,553,943</b>	<b>10,462,679</b>	<b>32,016,622</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

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

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

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM753,681,000 (30 September 2019: RM969,017,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 2019: RM11,245,000).

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*

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

	<b>Share capital RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Retained profits RM '000</b>	<b>Total equity RM '000</b>
<b><u>THE COMPANY</u></b>						
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net profit for the financial period	-	-	-	-	(16,584)	(16,584)
Options charge arising from executive share scheme	-	-	1,816	-	-	1,816
<b>As at 30 September 2020</b>	<b>2,267,008</b>	<b>254,991</b>	<b>18,767</b>	<b>(180,587)</b>	<b>13,871,839</b>	<b>16,232,018</b>
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 period	-	-	-	-	(20,564)	(20,564)
Options charge arising from executive share scheme	-	-	2,446	-	-	2,446
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
<b>As at 30 September 2019</b>	<b>2,267,008</b>	<b>254,991</b>	<b>19,122</b>	<b>(180,587)</b>	<b>13,293,170</b>	<b>15,653,704</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.*



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	The Group		The Company	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM '000	RM '000	RM '000	RM '000
Profit/(loss) before taxation	987,761	913,649	(16,443)	(20,635)
Adjustment for non-cash items	184,922	(37,824)	11,676	17,281
Operating profit/(loss) before working capital changes	1,172,683	875,825	(4,767)	(3,354)
Income tax paid	(127,555)	(142,375)	(88)	(1,426)
Interest received	144	182	144	182
Changes in working capital				
Net changes in operating assets	(4,393,569)	5,340,489	326,534	1,196
Net changes in operating liabilities	4,395,395	(1,474,920)	1,721	(16,286)
Net cash generated from/(used in) operating activities	1,047,098	4,599,201	323,544	(19,688)
<b>Cash flows from investing activities</b>				
Net (purchases)/sales of financial investments at fair value through other comprehensive income	(5,100,757)	2,428,191	-	-
Net (purchases)/sales of financial investments at amortised cost	(1,159,544)	6,392	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	330,163	284,393	-	-
Purchase of intangible assets	(4,745)	(7,384)	-	-
Purchase of property and equipment	(37,503)	(32,922)	(46)	(117)
Net proceeds from disposal of property and equipment	465	220	145	-
Dividends received from other investments	15,882	15,318	1,102	-
Dividends received from associated companies	11,993	-	-	-
Investment in debt instrument issued by subsidiary companies	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	9,466	9,569
Net cash (used in)/generated from investing activities	(5,944,046)	2,694,208	10,667	9,452
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	(136)	(31,102)	-	(28,443)
Cash received from executive share scheme exercised	3,242	1,010	-	-
Repayment of lease liabilities	(11,055)	(10,831)	(274)	(274)
Repayment of revolving credit	(50,000)	(45,000)	(50,000)	(45,000)
Proceeds from medium term notes and commercial papers	-	110,000	-	110,000
Repayment of medium term notes	(220,000)	-	(250,000)	-
Repayment of innovative Tier 1 capital securities	-	(453,200)	-	-
Repayment of term loans	(4,000)	(50,000)	(4,000)	(50,000)
Proceeds from recourse obligations on financing sold to Cagamas Berhad	-	199,950	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(9,666)	(9,772)	(9,666)	(9,772)
Interest paid on subordinated obligations	(5,759)	(13,433)	-	-
Interest paid on borrowings	(17,218)	(21,155)	(17,912)	(21,801)
Interest paid on innovative Tier 1 capital securities	-	(19,486)	-	-
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(16,206)	(1,539)	-	-
Net cash used in financing activities	(330,798)	(344,558)	(331,852)	(45,290)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,227,746)</b>	<b>6,948,851</b>	<b>2,359</b>	<b>(55,526)</b>
<b>Effects of exchange rate changes</b>	<b>(47,130)</b>	<b>(5,878)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 July</b>	<b>12,338,216</b>	<b>6,760,957</b>	<b>15,870</b>	<b>84,556</b>
<b>Cash and cash equivalents at 30 September</b>	<b>7,063,340</b>	<b>13,703,930</b>	<b>18,229</b>	<b>29,030</b>
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	7,739,627	13,835,450	18,169	28,970
Deposits and placements with banks and other financial institutions	8,152,862	8,799,836	3,360	3,360
	15,892,489	22,635,286	21,529	32,330
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(8,829,149)	(8,931,356)	(3,300)	(3,300)
	<b>7,063,340</b>	<b>13,703,930</b>	<b>18,229</b>	<b>29,030</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020.

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**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 2020. 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 2020.

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 2020 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2020:

- (i) • Amendments to MFRS 3 'Definition of a Business'  
• Amendments to MFRS 101 and MFRS 108 'Definition of Material'  
• Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'  
• Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to published standards are not expected to have significant impact on the financial results of the Group and the Company.

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ 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 2020**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2020.

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 30 September 2020 other than as mentioned below.

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 period ended 30 September 2020, no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 30 September 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 10,000 units of shares for RM135,605 pursuant to the Company's ESS during the financial period ended 30 September 2020.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 September 2020 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

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

**8. Segmental reporting**

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

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

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

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

**Business segments**

The Group comprises the following main business segments:

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)  
 NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

8. Segmental reporting (continued)

The Group 30 September 2020	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
<b>Revenue</b>						
External revenue	1,345,724	87,222	79,882	(14,025)	-	1,498,803
Inter-segment revenue	3,127	27	338	2,606	(6,098)	-
Segment revenue	<u>1,348,851</u>	<u>87,249</u>	<u>80,220</u>	<u>(11,419)</u>	<u>(6,098)</u>	<u>1,498,803</u>
<b>Results</b>						
Segment results	723,132	52,714	41,417	(16,443)	(4,372)	796,448
Share of results of associated companies						<u>191,313</u>
Profit before taxation						<u>987,761</u>
Taxation						<u>(132,930)</u>
Net profit for the financial period						<u>854,831</u>
Non-controlling interests						<u>(267,798)</u>
Profit attributable to owners of the parent						<u><u>587,033</u></u>
<b>Other information</b>						
Segment assets	225,631,955	5,269,708	25,214,755	19,569,901	(16,092,319)	<u>259,594,000</u>
Segment liabilities	197,562,039	4,380,018	21,795,287	3,339,474	500,560	<u>227,577,378</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**8. Segmental reporting (continued)**

<b>The Group</b> <b>30 September 2019</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>Revenue</b>						
External revenue	1,210,992	60,523	67,905	(13,254)	-	1,326,166
Inter-segment revenue	4,100	422	333	(1,158)	(3,697)	-
Segment revenue	<u>1,215,092</u>	<u>60,945</u>	<u>68,238</u>	<u>(14,412)</u>	<u>(3,697)</u>	<u>1,326,166</u>
<b>Results</b>						
Segment results	701,624	24,493	45,481	(20,634)	1,680	752,644
Share of results of associated companies						<u>161,005</u>
Profit before taxation						<u>913,649</u>
Taxation						<u>(170,175)</u>
Net profit for the financial period						<u>743,474</u>
Non-controlling interests						<u>(253,273)</u>
Profit attributable to owners of the parent						<u><u>490,201</u></u>
<b>Other information</b>						
Segment assets	206,774,379	4,080,410	23,107,999	19,562,916	(15,879,241)	<u><u>237,646,463</u></u>
Segment liabilities	180,705,753	3,260,614	19,896,069	3,910,705	678,872	<u><u>208,452,013</u></u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Money market instruments:		
Government treasury bills	557,764	579,866
Malaysian Government securities	3,088,873	2,122,321
Malaysian Government investment certificates	756,566	1,376,527
Negotiable instruments of deposit	1,529,088	1,567,157
Khazanah bonds	-	19,999
Cagamas bonds	111,675	166,697
Other Government securities	5,778,896	5,596,569
	<u>11,822,862</u>	<u>11,429,136</u>
Quoted securities:		
Shares in Malaysia	2,930,381	2,718,986
Shares outside Malaysia	525,724	510,842
Wholesale fund/unit trust investments	1,085,324	1,029,029
Foreign currency bonds in Malaysia	75,662	159,401
Foreign currency bonds outside Malaysia	-	145,069
Investment-linked funds	317	311
Loan stocks	773	1,336
	<u>4,618,181</u>	<u>4,564,974</u>
Unquoted securities:		
Shares in Malaysia	352,951	354,383
Foreign currency bonds in Malaysia	17,758	-
Foreign currency bonds outside Malaysia	392,105	343,648
Corporate bonds and sukuk	7,254,996	7,003,890
Redeemable preference shares	25,000	25,000
	<u>8,042,810</u>	<u>7,726,921</u>
Total financial assets at fair value through profit or loss	<u>24,483,853</u>	<u>23,721,031</u>

	<b>The Company</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Quoted securities:		
Unit trust investments	10,977	292,671

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

	Note	<b>The Group</b>	
		<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>At fair value</b>			
Debt instruments	(a)	33,836,818	28,488,979
Equity instruments	(b)	60,094	60,094
		<u>33,896,912</u>	<u>28,549,073</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	600,304	487,768
Malaysian Government securities	4,981,546	2,148,086
Malaysian Government investment certificates	10,635,683	8,339,999
Negotiable instruments of deposit	813,621	950,404
Other Government securities	254,098	312,507
Khazanah bonds	586,969	529,373
Cagamas bonds	1,762,972	1,717,798
	<u>19,635,193</u>	<u>14,485,935</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

	The Group	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Foreign currency bonds in Malaysia	2,254,626	2,131,473
Foreign currency bonds outside Malaysia	1,312,677	1,353,402
	<u>3,567,303</u>	<u>3,484,875</u>
Unquoted securities:		
Malaysian Government sukuk	554,081	554,124
Corporate bonds and sukuk	9,362,221	9,160,750
Foreign currency bonds in Malaysia	277,850	306,295
Foreign currency bonds outside Malaysia	440,170	497,000
	<u>10,634,322</u>	<u>10,518,169</u>
	<u>33,836,818</u>	<u>28,488,979</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	
<b>The Group</b>				
<b>30 September 2020</b>				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	118	-	-	118
Financial assets derecognised	(145)	-	-	(145)
Changes due to change in credit risk	155	-	-	155
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(35)	-	(375)	(410)
As at 30 September	<u>2,612</u>	<u>-</u>	<u>16,622</u>	<u>19,234</u>
<b>30 June 2020</b>				
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>

	The Group	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	60,094	60,094

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**11. Financial investments at amortised cost**

	The Group	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Malaysian Government securities	3,371,233	3,056,052
Malaysian Government investment certificates	12,462,758	11,405,182
Khazanah bonds	319,068	316,038
Other Government securities	281,444	456,623
	<u>16,434,503</u>	<u>15,233,895</u>
Quoted securities:		
Foreign currency bonds in Malaysia	819,611	857,780
Foreign currency bonds outside Malaysia	142,969	145,577
	<u>962,580</u>	<u>1,003,357</u>
Unquoted securities:		
Malaysian Government sukuk	2,637,747	2,659,375
Corporate bonds and sukuk	2,077,946	2,056,192
Foreign currency bonds outside Malaysia	16,625	16,964
	<u>4,732,318</u>	<u>4,732,531</u>
Less: Expected credit losses	(291)	(217)
Total financial investments at amortised cost	<u>22,129,110</u>	<u>20,969,566</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	
<b>The Group</b>				
<b>30 September 2020</b>				
As at 1 July	217	-	-	217
Changes due to change in credit risk	80	-	-	80
Exchange differences	(6)	-	-	(6)
As at 30 September	<u>291</u>	<u>-</u>	<u>-</u>	<u>291</u>
<b>30 June 2020</b>				
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>



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**12. Loans, advances and financing**

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Overdrafts	3,079,764	3,590,801
Term loans/financing:		
- Housing and shop loans/financing	83,737,217	82,482,204
- Syndicated/term loans or financing	14,606,117	13,850,875
- Hire purchase receivables	17,491,697	17,006,512
- Ijarah receivables	158,721	161,188
- Other term loans/financing	8,924,769	8,962,217
Credit/charge card receivables	3,051,055	3,094,683
Bills receivable	2,498,600	2,680,254
Trust receipts	646,190	1,476,882
Policy and premium loans	474,299	509,817
Claims on customers under acceptance credits	5,146,864	5,235,605
Revolving credits	7,549,074	7,202,385
Staff loans/financing	135,728	143,111
Other loans/financing	1,436,385	365,302
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>
Fair value changes arising from fair value hedges	24,084	21,714
Allowance for impairment losses:		
- Expected credit losses	(1,342,438)	(1,262,761)
Total net loans, advances and financing	<u>147,618,126</u>	<u>145,520,789</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,013,074,000 (30 June 2020: RM1,023,078,000).

(a) By type of customers

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Domestic non-bank financial institutions	1,592,725	1,434,866
Domestic business enterprises:		
- Small and medium enterprises	23,868,943	22,700,453
- Others	19,607,148	20,773,294
Government and statutory bodies	1,866	1,892
Individuals	100,340,513	98,751,873
Other domestic entities	883,959	975,756
Foreign entities	2,641,326	2,123,702
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,571,575	1,577,809
- Hire purchase receivables	17,338,592	16,847,128
- Other fixed rate loans/financing	8,102,717	7,051,115
Variable rate		
- Base rate/base lending rate plus	103,428,341	102,135,209
- Cost plus	17,661,457	18,241,362
- Other variable rates	833,798	909,213
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

(c) By economic purposes

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Purchase of securities	1,098,050	1,046,022
Purchase of transport vehicles	17,243,066	16,769,222
Purchase of landed properties		
- Residential	74,527,909	73,336,190
- Non-residential	17,933,850	17,244,621
Purchase of fixed assets (excluding landed properties)	1,239,346	1,102,078
Personal use	3,425,212	3,437,021
Credit card	3,051,055	3,094,683
Construction	2,609,761	2,612,109
Mergers and acquisition	-	151,784
Working capital	25,855,961	25,983,290
Other purposes	1,952,270	1,984,816
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Malaysia	141,124,870	138,992,892
Singapore	5,398,680	5,250,416
Vietnam	833,798	909,213
Cambodia	1,579,132	1,609,315
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Within one year	25,732,798	27,045,478
One year to less than three years	6,146,883	5,735,396
Three years to less than five years	10,628,992	10,647,842
Five years and more	106,427,807	103,333,120
Gross loans, advances and financing	<u>148,936,480</u>	<u>146,761,836</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
As at 1 July	896,276	1,078,009
Classified as impaired during the financial period/year	51,428	1,969,496
Reclassified as non-impaired during the financial period/year	(116,107)	(1,158,523)
Amount written back in respect of recoveries	(60,784)	(492,076)
Amount written off	(65,742)	(502,046)
Exchange differences	(219)	1,416
As at end of the financial period/year	<u>704,852</u>	<u>896,276</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.6%</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

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

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Purchase of securities	1,694	650
Purchase of transport vehicles	38,852	71,145
Purchase of landed properties		
- Residential	223,840	341,330
- Non-residential	144,604	150,277
Purchase of fixed assets (excluding landed properties)	4,618	4,648
Personal use	10,891	24,479
Credit card	19,882	24,568
Construction	9,087	9,663
Working capital	183,064	200,678
Other purposes	68,320	68,838
Gross impaired loans, advances and financing	<u>704,852</u>	<u>896,276</u>

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

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Malaysia	695,835	887,929
Singapore	2,336	1,256
Vietnam	1,538	1,808
Cambodia	5,143	5,283
Gross impaired loans, advances and financing	<u>704,852</u>	<u>896,276</u>

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM '000</b>
	<b>12 months ECL RM '000</b>	<b>Lifetime ECL not credit impaired RM '000</b>	<b>Lifetime ECL credit impaired RM '000</b>	
<b>The Group 30 September 2020</b>				
As at 1 July	550,165	435,828	276,768	1,262,761
Changes in ECL due to transfer within stages	(1,564)	(7,157)	8,721	-
Transfer to Stage 1	3,903	(3,686)	(217)	-
Transfer to Stage 2	(5,460)	16,118	(10,658)	-
Transfer to Stage 3	(7)	(19,589)	19,596	-
New financial assets originated	16,563	159	53	16,775
Financial assets derecognised	(6,898)	(6,242)	(2,000)	(15,140)
Changes due to change in credit risk	232,577	(71,765)	14,558	175,370
Changes in models/risk parameters	(16)	(30,643)	(2)	(30,661)
Amount written off	-	-	(68,138)	(68,138)
Exchange differences	(411)	(229)	(45)	(685)
Other movements	-	-	2,156	2,156
As at 30 September	<u>790,416</u>	<u>319,951</u>	<u>232,071</u>	<u>1,342,438</u>



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**14. Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
<b>At amortised cost</b>		
Fixed deposits	95,020,441	93,166,106
Negotiable instruments of deposits	6,130,565	8,949,638
Short-term placements	18,377,947	19,559,750
	<u>119,528,953</u>	<u>121,675,494</u>
Demand deposits	28,854,218	27,331,640
Savings deposits	21,746,283	21,018,664
Others	717,596	748,749
	<u>170,847,050</u>	<u>170,774,547</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	1,158,418	463,933
Fair value changes arising from designation at fair value through profit or loss*	(58,065)	(1,416)
	<u>1,100,353</u>	<u>462,517</u>
	<u>171,947,403</u>	<u>171,237,064</u>

\*Note:

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

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

(b) By type of customers

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Government and statutory bodies	10,249,390	9,180,558
Business enterprises	65,332,401	66,853,926
Individuals	93,557,192	92,528,696
Others	2,808,420	2,673,884
	<u>171,947,403</u>	<u>171,237,064</u>

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

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Due within six months	100,414,084	100,691,104
More than six months to one year	17,955,658	19,802,680
More than one year to five years	926,837	999,959
More than five years	232,374	181,751
	<u>119,528,953</u>	<u>121,675,494</u>

**15. Investment accounts of customers**

	<b>The Group</b>	
	<b>As at 30/09/2020 RM '000</b>	<b>As at 30/06/2020 RM '000</b>
Unrestricted investment accounts	440,257	356,475

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

	The Group	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
Licensed banks	6,725,826	5,492,524
Licensed investment banks	100,005	75,304
Licensed Islamic banks	359,000	-
Central banks*	1,173,590	1,176,258
Other financial institutions	2,413,123	1,830,205
	10,771,544	8,574,291

\*Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,046,221,000 at concession rates.

**17. Payables and other liabilities**

	Note	The Group	
		As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
Trade payables		3,487,838	3,425,048
Post employment benefits obligation - defined contribution plan		1,920	1,919
Loan advance payment		3,663,668	3,916,289
Treasury and cheque clearing		218,020	210,699
Treasury related payables		167,494	197,219
Sundry creditors and accruals		367,115	352,687
Provision for reinstatement cost		23,521	23,441
Provision for bonus and staff related expenses		272,540	211,345
Expected credit losses on financial guarantee contracts	(a)	8,556	8,480
Financial liabilities due to third party investors	(b)	6,311,037	5,609,138
Others		1,347,311	1,240,922
		15,869,020	15,197,187

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

The Group 30 September 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	3,260	5,220	-	8,480
Changes in ECL due to transfer within stages	(5)	5	-	-
Transfer to Stage 1	2	(2)	-	-
Transfer to Stage 2	(7)	7	-	-
New financial assets originated	30	-	-	30
Financial assets derecognised	(2)	-	-	(2)
Changes due to change in credit risk	226	47	-	273
Changes in models/risk parameters	1	(89)	-	(88)
Exchange differences	(7)	(130)	-	(137)
As at 30 September	3,503	5,053	-	8,556

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

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

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

(b) Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 'Consolidated Financial Statements'.

	The Company	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
Post employment benefits obligation - defined contribution plan	46	46
Sundry creditors and accruals	1,874	1,627
Amount due to subsidiary companies	1,403	714
Provision for reinstatement cost	241	237
Provision for bonus and staff related expenses	6,731	5,945
	10,295	8,569

**18. Interest income**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Loans, advances and financing	1,036,997	1,228,642	1,036,997	1,228,642
Money at call and deposit placements with financial institutions	45,442	113,047	45,442	113,047
Securities purchased under resale agreements	1	236	1	236
Financial investments at fair value through other comprehensive income	191,167	180,735	191,167	180,735
Financial investments at amortised cost	138,996	103,658	138,996	103,658
Others	4,483	7,511	4,483	7,511
	1,417,086	1,633,829	1,417,086	1,633,829
Of which:				
Interest income earned on impaired loans, advances and financing	(1,924)	1,371	(1,924)	1,371

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Money at call and deposit placements with financial institutions	144	182	144	182
Subordinated obligations	17,853	17,853	17,853	17,853
Multi-currency Additional Tier 1 capital securities	9,931	9,931	9,931	9,931
	<u>27,928</u>	<u>27,966</u>	<u>27,928</u>	<u>27,966</u>

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

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Financial assets at fair value through profit or loss	51,367	81,961	51,367	81,961

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Deposits and placements of banks and other financial institutions	25,049	47,701	25,049	47,701
Deposits from customers	506,800	740,013	506,800	740,013
Short-term placements	55,825	103,931	55,825	103,931
Borrowings	10,153	14,933	10,153	14,933
Subordinated obligations	21,057	26,751	21,057	26,751
Recourse obligations on loans sold to Cagamas Berhad	2,632	810	2,632	810
Innovative Tier 1 capital securities	-	8,413	-	8,413
Multi-currency Additional Tier 1 capital securities	10,121	10,121	10,121	10,121
Others	12,893	6,940	12,893	6,940
	<u>644,530</u>	<u>959,613</u>	<u>644,530</u>	<u>959,613</u>

	The Company		The Company	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Borrowings	10,166	14,111	10,166	14,111
Subordinated obligations	18,266	18,266	18,266	18,266
Multi-currency Additional Tier 1 capital securities	10,232	10,232	10,232	10,232
Others	84	237	84	237
	<u>38,748</u>	<u>42,846</u>	<u>38,748</u>	<u>42,846</u>



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Income derived from investment of depositors' funds and others	348,100	393,131	348,100	393,131
Income derived from investment of shareholders' funds	51,448	45,811	51,448	45,811
Income derived from investment of investment accounts	5,547	92	5,547	92
Income attributable to depositors	(184,391)	(239,177)	(184,391)	(239,177)
Income attributable to depositors on investment accounts	(2,124)	(66)	(2,124)	(66)
	<u>218,580</u>	<u>199,791</u>	<u>218,580</u>	<u>199,791</u>
Of which:				
Financing income earned on impaired financing and advances	(220)	251	(220)	251

**22. Non-interest income**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Net income from insurance business	45,956	47,090	45,956	47,090
Net brokerage and commissions from stockbroking business	41,583	12,460	41,583	12,460
Net unit trust and asset management income	12,374	18,050	12,374	18,050
Fee income:				
Commissions	38,504	42,746	38,504	42,746
Service charges and fees	8,322	9,656	8,322	9,656
Guarantee fees	4,420	3,655	4,420	3,655
Credit card related fees	46,103	52,769	46,103	52,769
Corporate advisory fees	917	1,475	917	1,475
Commitment fees	9,485	8,387	9,485	8,387
Fee on loans, advances and financing	12,615	12,615	12,615	12,615
Placement fees	730	709	730	709
Arranger fees	53	853	53	853
Other fee income	46,448	55,507	46,448	55,507
	<u>167,597</u>	<u>188,372</u>	<u>167,597</u>	<u>188,372</u>
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	46,917	55,152	46,917	55,152
Financial investments at fair value through other comprehensive income	121,844	99,533	121,844	99,533
Derivative financial instruments	(19,052)	8,713	(19,052)	8,713
	<u>149,709</u>	<u>163,398</u>	<u>149,709</u>	<u>163,398</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	15,507	15,115	15,507	15,115
Financial investments at fair value through other comprehensive income	375	203	375	203
	<u>15,882</u>	<u>15,318</u>	<u>15,882</u>	<u>15,318</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets at fair value through profit or loss	(3,727)	(25,403)	(3,727)	(25,403)
Derivative financial instruments	7,121	(59,704)	7,121	(59,704)
	<u>3,394</u>	<u>(85,107)</u>	<u>3,394</u>	<u>(85,107)</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Net realised loss on fair value changes arising from fair value hedges	(1,094)	(409)	(1,094)	(409)
Net unrealised loss on fair value changes arising from fair value hedges	(1,395)	(178)	(1,395)	(178)
Other income:				
Foreign exchange gain	18,822	4,445	18,822	4,445
Rental income	1,601	2,400	1,601	2,400
Net gain on disposal of property and equipment	168	176	168	176
Other non-operating income	1,703	4,183	1,703	4,183
	22,294	11,204	22,294	11,204
Total non-interest income	456,300	370,198	456,300	370,198

	The Company		The Company	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Fee income:				
Management fees	112	3,596	112	3,596
Net realised gain from sale of:				
Derivative financial instruments	-	135	-	135
Gross dividend income from:				
Financial assets at fair value through profit or loss	1,102	-	1,102	-
Other income:				
Other non-operating income	275	64	275	64
Total non-interest income	1,489	3,795	1,489	3,795

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	306,702	304,983	306,702	304,983
- Medical expenses	8,628	7,545	8,628	7,545
- Training and convention expenses	1,999	7,121	1,999	7,121
- Staff welfare	3,017	2,299	3,017	2,299
- Others	35,311	8,218	35,311	8,218
	355,657	330,166	355,657	330,166
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,945	35,598	33,945	35,598
- Depreciation of right-of-use assets	13,388	14,480	13,388	14,480
- Amortisation of intangible assets	14,838	14,842	14,838	14,842
- Rental of premises	504	1,434	504	1,434
- Information technology expenses	48,648	43,633	48,648	43,633
- Security services	6,225	7,087	6,225	7,087
- Electricity, water and sewerage	5,554	6,473	5,554	6,473
- Hire of plant and machinery	3,488	3,471	3,488	3,471
- Others	7,808	8,208	7,808	8,208
	134,398	135,226	134,398	135,226



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

	The Group		The Group	
	Current quarter ended 30/09/2020	Last year quarter ended 30/09/2019	Current year to date 30/09/2020	Last year to date 30/09/2019
	RM '000	RM '000	RM '000	RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	146,559	39,908	146,559	39,908
- Clients' and brokers' balances	(657)	(12)	(657)	(12)
Impaired loans, advances and financing:				
- Written off	3,847	4,499	3,847	4,499
- Recovered from bad debt written off	(48,691)	(53,160)	(48,691)	(53,160)
	<u>101,058</u>	<u>(8,765)</u>	<u>101,058</u>	<u>(8,765)</u>

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

	The Group		The Group	
	Current quarter ended 30/09/2020	Last year quarter ended 30/09/2019	Current year to date 30/09/2020	Last year to date 30/09/2019
	RM '000	RM '000	RM '000	RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	108	86	108	86
- Financial investments at amortised cost	80	35	80	35
- Other receivables	283	(7)	283	(7)
- Cash and short-term funds	(371)	(21)	(371)	(21)
- Deposits and placements with banks and other financial institutions	573	36	573	36
	<u>673</u>	<u>129</u>	<u>673</u>	<u>129</u>

	The Company		The Company	
	Current quarter ended 30/09/2020	Last year quarter ended 30/09/2019	Current year to date 30/09/2020	Last year to date 30/09/2019
	RM '000	RM '000	RM '000	RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(195)	(323)	(195)	(323)
	<u>(195)</u>	<u>(323)</u>	<u>(195)</u>	<u>(323)</u>

**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.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)  
 NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2020	30/06/2020	30/09/2020	30/06/2020	30/09/2020	30/06/2020	30/09/2020	30/06/2020
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	11.245%	11.432%	13.774%	13.950%	13.778%	13.761%	38.677%	42.128%
Tier 1 capital ratio	12.205%	12.399%	14.341%	14.523%	14.133%	14.118%	38.677%	42.128%
Total capital ratio	15.173%	15.382%	16.554%	16.750%	16.248%	16.245%	48.384%	52.768%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	11.041%	11.225%	13.484%	13.657%	13.415%	13.395%	32.712%	35.500%
Tier 1 capital ratio	12.001%	12.193%	14.051%	14.230%	13.770%	13.752%	32.712%	35.500%
Total capital ratio	14.969%	15.175%	16.263%	16.456%	15.884%	15.879%	42.419%	46.139%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	16,988,851	16,910,345	18,269,767	18,172,806	12,777,645	12,661,472	279,828	279,828
Other reserves	1,005,671	979,268	1,069,106	1,029,080	460,472	433,536	5,924	4,207
Qualifying non-controlling interests	5,837,172	5,727,807	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,834)	(721,610)	(723,344)	(721,610)	(723,344)	-	-
Less: Other intangible assets	(206,779)	(190,515)	(204,124)	(187,505)	(184,489)	(168,060)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(31,098)	(31,380)
Less: Deferred tax assets	-	-	(67,178)	(86,578)	(41,183)	(55,984)	(79,423)	(85,925)
Less: Investment in subsidiary companies/ associated companies	(7,614,492)	(7,332,038)	(4,841,133)	(4,644,527)	(2,727,216)	(2,727,486)	(200)	(200)
Total CET 1 capital	15,692,174	15,776,754	19,412,579	19,467,683	15,531,135	15,387,650	427,981	419,480

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000	30/09/2020 RM '000	30/06/2020 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,725	799,695	799,687	799,654	799,687	799,654	-	-
Qualifying non-controlling interests	539,310	535,266	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,339,035	1,334,961	799,687	799,654	799,687	799,654	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,339,035	1,334,961	799,687	799,654	399,687	399,654	-	-
Total Tier 1 capital	17,031,209	17,111,715	20,212,266	20,267,337	15,930,822	15,787,304	427,981	419,480
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,591,913	1,578,441	1,617,976	1,607,378	1,283,942	1,278,446	7,412	5,940
Subordinated obligations	1,599,831	1,599,820	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	949,863	938,135	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,141,607	4,116,396	3,117,946	3,107,348	2,383,912	2,378,416	107,412	105,940
Total capital	21,172,816	21,228,111	23,330,212	23,374,685	18,314,734	18,165,720	535,393	525,420

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**26. Capital adequacy (continued)**

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

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>30/09/2020</b>	<b>30/06/2020</b>	<b>30/09/2020</b>	<b>30/06/2020</b>	<b>30/09/2020</b>	<b>30/06/2020</b>	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Credit risk *	127,353,039	126,275,278	129,438,048	128,590,231	102,715,350	102,275,706	592,967	476,122
Market risk	3,282,306	2,901,209	2,975,513	2,496,060	3,015,824	2,562,366	234,466	257,167
Operational risk	8,908,976	8,833,392	8,522,804	8,468,140	6,991,269	6,983,001	279,122	262,434
<b>Total RWA</b>	<b>139,544,321</b>	<b>138,009,879</b>	<b>140,936,365</b>	<b>139,554,431</b>	<b>112,722,443</b>	<b>111,821,073</b>	<b>1,106,555</b>	<b>995,723</b>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM305,419,000 (30 June 2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>30/09/2020</b>	<b>30/06/2020</b>
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	10.654%	10.871%
Tier 1 capital ratio	12.188%	12.432%
Total capital ratio	<u>14.901%</u>	<u>15.173%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	10.654%	10.871%
Tier 1 capital ratio	12.188%	12.432%
Total capital ratio	<u>14.901%</u>	<u>15.173%</u>

**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 30 September 2020.

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

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

**29. Related party transactions**

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

**30. Commitments and contingencies**

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

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

	<b>The Group</b>	
	<b>30/09/2020</b>	<b>30/06/2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	219,687	134,166
Certain transaction related contingent items	1,544,490	1,489,056
Short-term self liquidating trade related contingencies	532,751	538,144
Obligations under underwriting agreement	8,615	-
Irrevocable commitments to extend credit:		
- Less than one year	23,582,748	20,856,358
- More than one year	17,886,279	17,807,310
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	50,524	52,352
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	915,479	894,438
Foreign exchange related contracts:		
- Less than one year	48,561,183	42,221,526
- One year to less than five years	3,771,956	4,089,668
- Five years and above	279,628	288,397
Interest rate related contracts:		
- Less than one year	25,665,406	20,322,617
- One year to less than five years	30,818,393	35,309,632
- Five years and above	3,488,454	2,719,803
Equity related contracts:		
- Less than one year	205,277	264,263
- One year to less than five years	135,594	136,115
Credit related contracts:		
- Five years and above	380,541	291,272
Unutilised credit card lines	7,456,237	7,463,767
Total	<u>165,503,242</u>	<u>154,878,884</u>

(b) Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("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 (30 June 2020: RM1 million).



**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**31. Fair value of financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

Valuation techniques

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain corporate bonds, government bonds and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques. This category includes unquoted shares held for socio-economic reasons. Fair value for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

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

The Group 30 September 2020	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	11,822,862	-	11,822,862
- Quoted securities	4,618,181	-	-	4,618,181
- Unquoted securities	-	7,689,859	352,951	8,042,810
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	19,635,193	-	19,635,193
- Quoted securities	3,567,303	-	-	3,567,303
- Unquoted securities	-	10,634,322	60,094	10,694,416
Derivative financial instruments	755	1,067,440	6,316	1,074,511
	<u>8,186,239</u>	<u>50,849,676</u>	<u>419,361</u>	<u>59,455,276</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

**Determination of fair value and fair value hierarchy (continued)**

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

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 September 2020</b>				
<b>Recurring fair value measurements</b>				
<b>Financial liabilities</b>				
Derivative financial instruments	1,661	1,604,689	6,316	1,612,666
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,100,353	-	1,100,353
	<u>1,661</u>	<u>2,705,042</u>	<u>6,316</u>	<u>2,713,019</u>

**30 June 2020**

**Recurring fair value measurements**

**Financial assets**

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>

**Financial liabilities**

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>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2020: RM Nil).

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 September 2020</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Quoted securities	10,977	-	-	10,977
	<u>10,977</u>	<u>-</u>	<u>-</u>	<u>10,977</u>
<b>30 June 2020</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Quoted securities	292,671	-	-	292,671
	<u>292,671</u>	<u>-</u>	<u>-</u>	<u>292,671</u>

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**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:

	<b>Financial assets</b>			<b>Financial liability</b>
	<b>Financial assets at fair value through profit or loss</b>	<b>Financial investments at fair value through other comprehensive income</b>	<b>Derivative financial instruments</b>	<b>Derivative financial instruments</b>
<b>The Group</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>30 September 2020</b>				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	-	-	(6,747)	(6,747)
Purchases	-	-	(2,777)	(2,777)
Disposal	(1,432)	-	-	-
Settlements	-	-	2,348	2,348
As at 30 September	<u>352,951</u>	<u>60,094</u>	<u>6,316</u>	<u>6,316</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2020	<u>-</u>	<u>-</u>	<u>(6,747)</u>	<u>(6,747)</u>
<b>30 June 2020</b>				
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>

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

**1. Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM987.8 million for the current quarter ended 30 September 2020 as compared to RM913.7 million in the previous corresponding quarter, an increase of RM74.1 million or 8.1%. The increase was mainly due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM890.2 million for the current quarter ended 30 September 2020 as compared to RM846.5 million in the previous corresponding quarter, an increase of RM43.7 million or 5.2%. The increase was mainly due to higher revenue of RM133.8 million, lower operating expenses of RM1.2 million and higher share of profit from associated companies of RM22.2 million. This was offset by allowance for impairment losses on loans, advances and financing of RM113.3 million and higher allowance for impairment losses on other assets of RM0.2 million.

HLA Holdings Group recorded a profit before tax of RM65.6 million for the current quarter ended 30 September 2020 as compared to RM61.6 million in the previous corresponding quarter, an increase of RM4.0 million or 6.5%. The increase was mainly due to higher revenue of RM18.0 million of which RM14.1 million was due to unrealised gain on revaluation of equities and higher share of profit from associated company of RM8.1 million. This was offset by higher operating expenses of RM16.1 million and lower life fund surplus of RM6.0 million.

Hong Leong Capital Group recorded a profit before tax of RM52.7 million for the current quarter ended 30 September 2020 as compared to RM24.5 million in the previous corresponding quarter, an increase of RM28.2 million or 115.1%. The increase was mainly due to higher contribution from investment banking and stockbroking divisions.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM987.8 million for the current quarter ended 30 September 2020 as compared to RM858.3 million in the preceding quarter, an increase of RM129.5 million or 15.1%. The increase was mainly due to higher contribution from commercial banking, investment banking and stockbroking divisions.

Hong Leong Bank Group recorded a profit before tax of RM890.2 million for the current quarter ended 30 September 2020 as compared to RM648.6 million in the preceding quarter, an increase of RM241.6 million or 37.2%. The increase was mainly due to higher revenue of RM152.2 million, lower allowance for impairment losses on loans, advances and financing of RM86.9 million and higher share of profit from associated companies of RM2.7 million. This was offset by higher operating expenses of RM0.1 million and higher allowance for impairment losses on other assets of RM0.1 million.

HLA Holdings Group recorded a profit before tax of RM65.6 million for the current quarter ended 30 September 2020 as compared to RM173.1 million in the preceding quarter, a decrease of RM107.5 million or 62.1%. The decrease was mainly due to lower life fund surplus of RM81.7 million, higher operating expenses of RM14.0 million, lower share of profit from associated company of RM7.0 million and lower revenue of RM5.0 million. This was however mitigated by lower allowance for impairment losses on other assets of RM0.2 million.

Hong Leong Capital Group recorded a profit before tax of RM52.7 million for the current quarter ended 30 September 2020 as compared to RM37.7 million in the preceding quarter, an increase of RM15.0 million or 39.8%. This was mainly due to higher contribution from the investment banking, stockbroking and asset management divisions.

**3. Prospects for the current financial year**

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 expect the strength of our liquidity, capital and credit discipline to serve us well as we continue a strong focus on risk management. While our digital offering enables us to keep in close contact and to serve our customers during these times, we continue to further strengthen our digital strategy to build long term sustainable value for our shareholders. We remain cautiously optimistic that the Malaysian economy will progressively recover in 2021 as vaccinations are progressively rolled out across the world.

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

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

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

**5. Taxation**

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Income tax	180,192	184,771	180,192	184,771
Transfer to deferred tax	(2,804)	(14,596)	(2,804)	(14,596)
	177,388	170,175	177,388	170,175
Prior year over provision	(44,458)	-	(44,458)	-
	132,930	170,175	132,930	170,175

	The Company		The Company	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Income tax	154	-	154	-
Transfer to deferred tax	(13)	(71)	(13)	(71)
	141	(71)	141	(71)

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

**6. Status of corporate proposals**

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

**7. Borrowings**

	The Group		The Company	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
<b>Unsecured</b>				
RM Term loans	1,000	5,001	1,000	5,001
RM Revolving credit	155,148	205,644	155,148	205,644
RM Medium term notes	-	223,027	-	253,445
RM Commercial papers	339,585	338,975	339,585	338,975
RM Senior notes	376,029	380,180	401,027	405,441
	871,762	1,152,827	896,760	1,208,506
Repayment of term loans				
- Less than one year	1,000	5,001	1,000	5,001
Repayment of revolving credit				
- Less than one year	155,148	205,644	155,148	205,644
Repayment of medium term notes				
- Less than one year	-	223,027	-	253,445
Repayment of commercial papers				
- Less than one year	339,585	338,975	339,585	338,975
Repayment of senior notes				
- Less than one year	1,027	5,530	1,027	5,455
- One to three years	375,002	374,650	400,000	399,986
	871,762	1,152,827	896,760	1,208,506

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")  
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

**8. Subordinated obligations**

	Note	The Group		The Company	
		As at 30/09/2020 RM '000	As at 30/06/2020 RM '000	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
RM300.0 million Tier 2 subordinated debt, at par	(a)	300,000	300,000	-	-
Add: Interest payable		1,835	4,683	-	-
		<u>301,835</u>	<u>304,683</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,614	2,479	20,614	2,479
		<u>1,620,614</u>	<u>1,602,479</u>	<u>1,620,614</u>	<u>1,602,479</u>
Less: Unamortised discounts		(169)	(180)	(1,754)	(1,885)
		<u>1,620,445</u>	<u>1,602,299</u>	<u>1,618,860</u>	<u>1,600,594</u>
		<u>1,922,280</u>	<u>1,906,982</u>	<u>1,618,860</u>	<u>1,600,594</u>

(a) On 3 February 2020, Hong Leong Assurance Berhad ("HLA"), a wholly owned subsidiary of HLA Holdings Sdn Bhd and also an indirect subsidiary of HLFG, completed the Subordinated Notes ("Sub-Notes") issuance of RM300.0 million in nominal value. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 years basis with a coupon rate of 3.85% per annum.

The above Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

(b) 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 Hong Leong Bank Berhad ("HLB"), a subsidiary of the Company.

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 Hong Leong Investment Bank Berhad ("HLIB"), the subsidiary companies of the Company.

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

	The Group		The Company	
	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000	As at 30/09/2020 RM '000	As at 30/06/2020 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,270	6,804	7,270	6,804
	<u>807,270</u>	<u>806,804</u>	<u>807,270</u>	<u>806,804</u>
Less: Unamortised discounts	(275)	(305)	(1,065)	(1,165)
	<u>806,995</u>	<u>806,499</u>	<u>806,205</u>	<u>805,639</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.

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

**10. Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 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	38,469,835	259,029	(415,600)
(ii) 1 year to 3 years	324,631	382	(4,988)
- Swaps			
(i) Less than 1 year	8,603,512	39,296	(71,841)
(ii) 1 year to 3 years	1,992,900	89,857	(26,100)
(iii) More than 3 years	1,734,053	74,313	(3,585)
- Options			
(i) Less than 1 year	1,487,836	4,577	(4,642)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	8,944,347	1,062	(1,702)
- Swaps			
(i) Less than 1 year	16,721,059	51,009	(114,513)
(ii) 1 year to 3 years	21,513,635	238,973	(511,080)
(iii) More than 3 years	12,491,317	270,225	(409,166)
- Cross currency swaps			
(i) 1 year to 3 years	301,895	14,647	(18,370)
Equity related contracts			
(i) Less than 1 year	205,277	5,216	(5,154)
(ii) 1 year to 3 years	135,594	1,164	(1,164)
Credit related contracts			
(i) More than 3 years	380,541	24,761	(24,761)
<b>Total</b>	<b>113,306,432</b>	<b>1,074,511</b>	<b>(1,612,666)</b>

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

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

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)
<b>Total</b>	<b>105,643,293</b>	<b>1,176,645</b>	<b>(1,401,916)</b>

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM347,181,000 (30 June 2020: RM105,074,000) and RM56,240,333,000 (30 June 2020: RM55,595,557,000) respectively.

Derivatives

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

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,068,088,000 (30 June 2020: RM1,136,760,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.



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

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

**Credit risk (continued)**

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.

**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.

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

**11. 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.

**12. Dividend**

No interim dividend has been proposed for the current quarter.

**13. Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Net profit attributable to equity holders	587,033	490,201	587,033	490,201
Weighted average number of ordinary shares ('000)	1,133,797	1,137,200	1,133,797	1,137,200
<b>Basic earnings per share (sen)</b>	<b>51.8</b>	<b>43.1</b>	<b>51.8</b>	<b>43.1</b>
	The Company		The Company	
	Current quarter ended 30/09/2020 RM '000	Last year quarter ended 30/09/2019 RM '000	Current year to date 30/09/2020 RM '000	Last year to date 30/09/2019 RM '000
Net loss attributable to equity holders	(16,584)	(20,564)	(16,584)	(20,564)
Weighted average number of ordinary shares ('000)	1,137,881	1,138,293	1,137,881	1,138,293
<b>Basic earnings per share (sen)</b>	<b>(1.5)</b>	<b>(1.8)</b>	<b>(1.5)</b>	<b>(1.8)</b>

(b) Diluted earnings per share

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

Dated this 27 November 2020