

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2020**

	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	10,053,007	8,613,481
Deposits and placements with banks and other financial institutions	9,143,220	10,062,870
Financial assets at fair value through profit or loss	21,792,113	24,422,067
Financial investments at fair value through other comprehensive income	29,968,252	24,965,425
Financial investments at amortised cost	18,299,847	15,888,863
Derivative financial instruments	1,520,456	570,185
Loans, advances and financing	141,921,735	137,057,616
Clients' and brokers' balances	543,407	482,445
Other receivables	1,870,161	1,332,662
Statutory deposits with Central Banks	1,156,442	4,626,092
Tax recoverable	15,588	224
Investment in associated companies	5,800,507	5,280,376
Property and equipment	1,467,498	1,540,533
Right-of-use assets	259,637	-
Investment properties	489,500	489,500
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	194,951	139,628
<b>Total Assets</b>	<b>246,906,965</b>	<b>237,882,611</b>
<b><u>Liabilities</u></b>		
Deposits from customers	165,917,350	161,887,885
Investment accounts of customers	883,142	2,235
Deposits and placements of banks and other financial institutions	8,465,889	9,780,544
Obligations on securities sold under repurchase agreements	4,703,907	2,333,916
Bills and acceptances payable	152,396	393,022
Derivative financial instruments	1,680,318	732,443
Clients' and brokers' balances	252,036	282,521
Payables and other liabilities	14,150,036	13,234,447
Lease liabilities	244,036	-
Recourse obligations on loans/financing sold to Cagamas Berhad	1,050,239	253,591
Provision for claims	181,148	132,442
Provision for taxation	201,812	113,705
Deferred tax liabilities	81,117	230,248
Borrowings	1,014,671	1,398,277
Subordinated obligations	1,922,031	2,160,432
Innovative Tier 1 capital securities	-	464,273
Multi-currency Additional Tier 1 capital securities	806,469	806,376
Insurance funds	15,216,987	15,075,217
<b>Total Liabilities</b>	<b>216,923,584</b>	<b>209,281,574</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,833,250	1,678,535
Retained profits	16,270,242	15,196,453
Fair value reserve	44,621	116,503
Treasury shares for ESOS	(238,834)	(161,909)
<b>Total Shareholders' Equity</b>	<b>20,176,287</b>	<b>19,096,590</b>
Non-controlling interests	9,807,094	9,504,447
<b>Total Equity</b>	<b>29,983,381</b>	<b>28,601,037</b>
<b>Total Liabilities and Equity</b>	<b>246,906,965</b>	<b>237,882,611</b>
<b>Commitments and Contingencies</b>	<b>163,254,165</b>	<b>174,185,694</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	17.80	16.78

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
<b>THE GROUP</b>				
Interest income	1,569,867	1,669,252	4,843,035	5,019,448
Interest income for financial assets at fair value through profit or loss	86,872	115,675	255,510	334,142
Interest expense	(916,393)	(1,037,957)	(2,815,498)	(3,102,685)
Net interest income	740,346	746,970	2,283,047	2,250,905
Income from Islamic banking business	206,284	188,468	612,469	532,288
Non-interest income	195,869	372,267	933,150	1,152,969
Net income	1,142,499	1,307,705	3,828,666	3,936,162
Overhead expenses	(599,441)	(600,455)	(1,783,081)	(1,765,322)
Operating profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	543,058	707,250	2,045,585	2,170,840
Writeback of impairment losses on other assets	(129,220)	(4,636)	(139,974)	34,785
	1,957	1,462	297	462
	415,795	704,076	1,905,908	2,206,087
Share of results of associated companies	187,561	155,037	535,329	459,656
Profit before taxation	603,356	859,113	2,441,237	2,665,743
Taxation	(90,549)	(157,135)	(427,767)	(462,215)
Net profit for the financial period	512,807	701,978	2,013,470	2,203,528
Attributable to:				
Owners of the parent	339,200	463,415	1,332,361	1,450,657
Non-controlling interests	173,607	238,563	681,109	752,871
Net profit for the financial period	512,807	701,978	2,013,470	2,203,528
Earnings per share - basic (sen)	29.9	40.5	117.3	126.7

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	512,807	701,978	2,013,470	2,203,528
Other comprehensive income/(loss) in respect of:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive (loss)/income of associated companies	(5,071)	2,817	(8,734)	10,545
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(112,243)	148,500	(115,018)	248,442
- Changes in expected credit losses	(641)	-	(173)	-
Net fair value changes in cash flow hedge	(10,221)	(1,906)	(11,092)	(2,981)
Currency translation differences	207,200	24,727	79,765	(10,183)
Income tax relating to components of other comprehensive income	22,502	(30,923)	24,719	(56,151)
Other comprehensive income/(loss) for the financial period, net of tax	101,526	143,215	(30,533)	189,672
Total comprehensive income for the financial period, net of tax	614,333	845,193	1,982,937	2,393,200
Attributable to:				
Owners of the parent	405,668	557,996	1,311,375	1,578,774
Non-controlling interests	208,665	287,197	671,562	814,426
	614,333	845,193	1,982,937	2,393,200

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	226,787	84,496
Deposits and placements with banks and other financial institutions	3,360	3,360
Other receivables	2,436	4,157
Tax recoverable	2,052	-
Deferred tax assets	112	135
Investment in subsidiary companies	19,516,316	19,498,076
Property and equipment	3,740	4,179
Right-of-use assets	6,190	-
Intangible assets	2	3
<b>Total Assets</b>	<b>19,760,995</b>	<b>19,594,406</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	-	135
Payables and other liabilities	11,261	33,918
Lease liabilities	6,100	-
Provision for taxation	-	766
Borrowings	1,069,701	1,453,881
Subordinated obligations	1,618,403	1,600,205
Multi-currency Additional Tier 1 capital securities	805,948	805,236
<b>Total Liabilities</b>	<b>3,511,413</b>	<b>3,894,141</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	279,006	271,667
Retained profits	13,884,155	13,313,734
Treasury shares for ESOS	(180,587)	(152,144)
<b>Total Equity</b>	<b>16,249,582</b>	<b>15,700,265</b>
<b>Total Liabilities and Equity</b>	<b>19,760,995</b>	<b>19,594,406</b>
<b>Commitments and Contingencies</b>	<b>-</b>	<b>100,000</b>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2020	quarter ended 31/03/2019	to date 31/03/2020	to date 31/03/2019
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	27,608	11,328	83,735	34,758
Interest expense	(38,978)	(22,959)	(123,223)	(75,536)
Net interest expense	(11,370)	(11,631)	(39,488)	(40,778)
Non-interest income	217,481	217,277	783,202	690,287
Net income	206,111	205,646	743,714	649,509
Overhead expenses	(5,298)	(12,053)	(25,201)	(33,224)
Writeback of impairment losses on other assets	161	-	295	-
Profit before taxation	200,974	193,593	718,808	616,285
Taxation	2,059	(2,846)	(463)	(4,649)
Net profit for the financial period	203,033	190,747	718,345	611,636
Earnings per share - basic (sen)	17.8	16.6	63.1	53.3

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2020	quarter ended 31/03/2019	to date 31/03/2020	to date 31/03/2019
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	203,033	190,747	718,345	611,636
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	203,033	190,747	718,345	611,636

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

<b>THE GROUP</b>	<b>Share capital RM '000</b>	<b>Regulatory reserves# RM '000</b>	<b>Fair value reserve RM '000</b>	<b>Cash flow hedge reserve RM '000</b>	<b>Other reserves RM '000</b>	<b>Share options reserve RM '000</b>	<b>Exchange fluctuation reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total shareholders' equity RM '000</b>	<b>Non-controlling interests RM '000</b>	<b>Total equity 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	-	-	-	-	-	-	-	1,332,361	-	1,332,361	681,109	2,013,470
Currency translation differences	-	-	-	-	-	-	54,073	-	-	54,073	25,692	79,765
Share of other comprehensive loss of associated companies	-	-	(7,140)	-	-	-	-	-	-	(7,140)	(1,594)	(8,734)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(64,629)	-	-	-	-	-	-	(64,629)	(31,918)	(96,547)
- Changes in expected credit losses	-	-	(113)	-	-	-	-	-	-	(113)	(60)	(173)
Net fair value changes in cash flow hedge	-	-	-	(3,177)	-	-	-	-	-	(3,177)	(1,667)	(4,844)
Total comprehensive (loss)/income	-	-	(71,882)	(3,177)	-	-	54,073	1,332,361	-	1,311,375	671,562	1,982,937
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	112,396	-	-	-	-	-	(112,396)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(3,785)	-	(3,785)	3,785	-
Dividends paid	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(377,174)	(377,174)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,474	4,474
Options charge arising from executive share scheme	-	-	-	-	-	(2,113)	-	-	-	(2,113)	-	(2,113)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(76,925)	(76,925)	-	(76,925)
Exercise of executive share scheme	-	-	-	-	-	(6,464)	-	5,533	-	(931)	-	(931)
<b>As at 31 March 2020</b>	<b>2,267,008</b>	<b>982,319</b>	<b>44,621</b>	<b>(4,967)</b>	<b>213,314</b>	<b>77,552</b>	<b>565,032</b>	<b>16,270,242</b>	<b>(238,834)</b>	<b>20,176,287</b>	<b>9,807,094</b>	<b>29,983,381</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

<b>THE GROUP</b>	<b>Share capital RM '000</b>	<b>Regulatory reserves# RM '000</b>	<b>Fair value reserve RM '000</b>	<b>Cash flow hedge reserve RM '000</b>	<b>Other reserves RM '000</b>	<b>Share options reserve RM '000</b>	<b>Exchange fluctuation reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total shareholders' equity RM '000</b>	<b>Non-controlling interests RM '000</b>	<b>Total equity RM '000</b>
As at 1 July 2018	2,267,008	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723
Effect of adopting MFRS 9	-	6,391	(190,324)	-	-	-	-	(50,960)	-	(234,893)	(124,355)	(359,248)
As restated	2,267,008	761,401	(81,040)	544	213,314	50,254	521,299	13,859,459	(22,686)	17,569,553	8,750,922	26,320,475
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,450,657	-	1,450,657	752,871	2,203,528
Currency translation differences	-	-	-	-	-	-	(5,767)	-	-	(5,767)	(4,416)	(10,183)
Share of other comprehensive income of associated companies	-	-	8,570	-	-	-	-	-	-	8,570	1,975	10,545
Net fair value changes in financial investments at fair value through other comprehensive income	-	-	126,850	-	-	-	-	-	-	126,850	64,801	191,651
Net fair value changes in cash flow hedge	-	-	-	(1,536)	-	-	-	-	-	(1,536)	(805)	(2,341)
Total comprehensive income/(loss)	-	-	135,420	(1,536)	-	-	(5,767)	1,450,657	-	1,578,774	814,426	2,393,200
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	104,124	-	-	-	-	-	(104,124)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(6,803)	-	(6,803)	6,803	-
Dividends paid	-	-	-	-	-	-	-	(149,047)	-	(149,047)	-	(149,047)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(376,478)	(376,478)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	2,906	2,906
Non-controlling interests subscription of shares	-	-	-	-	-	-	-	-	-	-	35,000	35,000
Options charge arising from executive share scheme	-	-	-	-	-	40,692	-	-	-	40,692	-	40,692
Purchase of treasury shares	-	-	-	-	-	-	-	-	(21,204)	(21,204)	-	(21,204)
Exercise of executive share scheme	-	-	-	-	-	(4,963)	-	6,596	4,491	6,124	-	6,124
<b>As at 31 March 2019</b>	<b>2,267,008</b>	<b>865,525</b>	<b>54,380</b>	<b>(992)</b>	<b>213,314</b>	<b>85,983</b>	<b>515,532</b>	<b>15,056,738</b>	<b>(39,399)</b>	<b>19,018,089</b>	<b>9,233,579</b>	<b>28,251,668</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM971,074,000 (31 March 2019: RM854,280,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2019: RM11,245,000).

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net profit for the financial period	-	-	-	-	718,345	718,345
Dividends paid	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme	-	-	7,339	-	-	7,339
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
<b>As at 31 March 2020</b>	<b>2,267,008</b>	<b>254,991</b>	<b>24,015</b>	<b>(180,587)</b>	<b>13,884,155</b>	<b>16,249,582</b>
As at 1 July 2018	2,267,008	254,991	4,169	(3)	13,206,499	15,732,664
Effect of adopting MFRS 9	-	-	-	-	(2,885)	(2,885)
As restated	2,267,008	254,991	4,169	(3)	13,203,614	15,729,779
Net profit for the financial period	-	-	-	-	611,636	611,636
Dividends paid	-	-	-	-	(149,047)	(149,047)
Options charge arising from executive share scheme	-	-	9,380	-	-	9,380
Purchase of treasury shares	-	-	-	(21,204)	-	(21,204)
<b>As at 31 March 2019</b>	<b>2,267,008</b>	<b>254,991</b>	<b>13,549</b>	<b>(21,207)</b>	<b>13,666,203</b>	<b>16,180,544</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	The Group		The Company	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	2,441,237	2,665,743	718,808	616,285
Adjustment for non-cash items	(1,005,368)	(259,498)	(725,796)	(631,924)
Operating profit/(loss) before working capital changes	1,435,869	2,406,245	(6,988)	(15,639)
Income tax paid	(411,291)	(465,472)	(3,258)	(3,303)
Interest received	685	23,551	685	957
Changes in working capital				
Net changes in operating assets	4,891,134	(8,015,226)	1,500	(4,268)
Net changes in operating liabilities	6,472,325	3,649,146	(23,711)	777
Net cash generated from/(used in) operating activities	12,388,722	(2,401,756)	(31,772)	(21,476)

**Cash flows from investing activities**

Net (purchases)/sales of financial investments at fair value through other comprehensive income	(4,830,558)	1,082,343	-	-
Net (purchases)/sales of financial investments at amortised cost	(2,410,984)	1,063,487	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	845,295	1,024,204	-	-
Purchase of intangible assets	(45,458)	(10,821)	-	(2)
Purchase of property and equipment	(129,496)	(107,362)	(132)	(19)
Net proceeds from disposal of property and equipment	6,283	648	-	-
Dividends received from other investments	43,738	71,712	142	1,150
Dividends received from subsidiary companies	-	-	773,246	681,419
Dividends received from associated companies	-	2,901	-	-
Proceeds from liquidation	-	-	83	21
Investment in debt instrument issued by subsidiary companies				
- Multi-currency Additional Tier 1 capital securities	-	-	-	(400,000)
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	29,272	10,344
- Interest on Tier 2 subordinated notes	-	-	35,834	12,250
Net cash (used in)/generated from investing activities	(6,521,180)	3,127,112	838,445	305,163

**Cash flows from financing activities**

Dividends paid to equity holders of the Company	(147,924)	(149,047)	(147,924)	(149,047)
Dividends paid to non-controlling interests	(377,174)	(376,481)	-	-
Purchase of treasury shares	(76,925)	(21,204)	(28,443)	(21,204)
Proceeds from ESOS exercised	3,292	6,124	-	-
Repayment of revolving credit	(167,000)	(27,000)	(167,000)	(27,000)
Repayment of medium term notes and commercial papers	(65,000)	(515,000)	(65,000)	(570,000)
Proceeds from senior notes	-	375,000	-	400,000
Repayment of innovative Tier 1 capital securities	(453,200)	(10,000)	-	-
Repayment of term loans	(145,000)	(200,000)	(145,000)	(200,000)
Proceeds from Multi-currency Additional Tier 1 capital securities (Repayment of)/proceeds from subordinated obligations	300,000	400,000	-	400,000
Proceeds from recourse obligations on loans sold to Cagamas Berhad	(550,000)	10,000	-	-
Non-controlling interests subscription of shares	799,950	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	-	35,000	-	-
Interest paid on subordinated obligations	(29,875)	(11,311)	(29,875)	(11,311)
Interest paid on borrowings	(65,505)	(84,885)	(36,400)	(12,397)
Interest paid on innovative Tier 1 capital securities	(43,568)	(44,587)	(44,740)	(45,239)
Interest paid on recourse obligations on loans sold to Cagamas Berhad	(19,486)	(38,646)	-	-
Net cash used in financing activities	(20,865)	(7,600)	-	-
	(1,058,280)	(659,637)	(664,382)	(236,198)

**Net increase in cash and cash equivalents**

<b>Net increase in cash and cash equivalents</b>	<b>4,809,262</b>	<b>65,719</b>	<b>142,291</b>	<b>47,489</b>
<b>Effects of exchange rate changes</b>	<b>86,229</b>	<b>(3,851)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 July</b>	<b>6,760,957</b>	<b>15,684,888</b>	<b>84,556</b>	<b>25,526</b>
<b>Cash and cash equivalents at 31 March</b>	<b>11,656,448</b>	<b>15,746,756</b>	<b>226,847</b>	<b>73,015</b>

**Analysis of cash and cash equivalents**

Cash and short-term funds	10,053,007	8,376,922	226,787	72,955
Deposits and placements with banks and other financial institutions	9,143,220	10,823,429	3,360	3,360
	19,196,227	19,200,351	230,147	76,315
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(7,539,779)	(3,453,595)	(3,300)	(3,300)
	<b>11,656,448</b>	<b>15,746,756</b>	<b>226,847</b>	<b>73,015</b>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**1. Basis of preparation**

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

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2019. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2019.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2019 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2019:

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

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

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 2019**

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

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 31 March 2020 other than as mentioned below.

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

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

The options granted are subject to the achievement of certain performance criteria by the option holders over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The achievement of the performance targets and the numbers of shares (if any) to be vested shall be determined following the end of respective performance periods. The vested options for each performance period are exercisable in three tranches over a period of 2 - 26 months from the respective vesting dates. The Group has decided not to recommend any award of 30% (5,925,000 shares) ESOS due to non-performance of KPIs.

During the financial period ended 31 March 2020, the Company purchased 1,546,800 units of shares for RM28,443,429 and no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 31 March 2020, the total number of Treasury Shares for ESOS is 9,636,000 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM180,587,544.

The insurance subsidiary company purchased 3,000,000 units of shares for RM48,475,348 and exercised 2,000 ordinary shares at the adjusted exercise price of RM16.61, pursuant to the Company's ESS during the financial period ended 31 March 2020.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 March 2020 was 4,081,900 units at an average price of RM14.26 per share with total consideration paid, including transaction costs was RM58,246,303 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

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

**8. Segmental reporting**

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

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

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

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

**Business segments**

The Group comprises the following main business segments:

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

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**8. Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial</b>	<b>Investment</b>		<b>Other</b>	<b>Eliminations/</b>	
<b>31 March 2020</b>	<b>banking</b>	<b>banking</b>	<b>Insurance</b>	<b>operations</b>	<b>consolidation</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>adjustments</b>	<b>RM '000</b>
					<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>						
External revenue	3,570,397	159,080	125,458	(26,269)	-	3,828,666
Inter-segment revenue	11,305	(454)	1,189	761,491	(773,531)	-
Segment revenue	<u>3,581,702</u>	<u>158,626</u>	<u>126,647</u>	<u>735,222</u>	<u>(773,531)</u>	<u>3,828,666</u>
<b>Results</b>						
Segment results	1,862,836	58,065	25,840	718,718	(759,551)	1,905,908
Share of results of associated companies						535,329
Profit before taxation						<u>2,441,237</u>
Taxation						(427,767)
Net profit for the financial period						<u>2,013,470</u>
Non-controlling interests						(681,109)
Profit attributable to owners of the parent						<u>1,332,361</u>
<b>Other information</b>						
Segment assets	216,629,418	4,643,186	22,786,790	19,760,943	(16,913,372)	<u>246,906,965</u>
Segment liabilities	190,256,377	3,848,389	19,625,366	3,512,944	(319,492)	<u>216,923,584</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**8. Segmental reporting (continued)**

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

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

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Money market instruments:		
Government treasury bills	232,347	21,900
Malaysian Government securities	2,838,844	3,770,728
Malaysian Government investment certificates	583,855	1,957,141
Bankers' acceptances and Islamic accepted bills	22,369	-
Negotiable instruments of deposit	1,391,015	1,472,835
Khazanah bonds	-	136,726
Cagamas bonds	130,557	81,403
Other Government securities	5,224,275	5,382,979
	<u>10,423,262</u>	<u>12,823,712</u>
Quoted securities:		
Shares in Malaysia	2,170,114	2,732,371
Shares outside Malaysia	377,252	297,944
Wholesale fund/unit trust investments	446,610	634,762
Foreign currency bonds in Malaysia	-	60,375
Foreign currency bonds outside Malaysia	198,798	108,167
Investment-linked funds	299	285
Loan stocks	1,541	1,178
	<u>3,194,614</u>	<u>3,835,082</u>
Unquoted securities:		
Shares in Malaysia	326,621	326,621
Foreign currency bonds outside Malaysia	291,519	332,979
Malaysian Government sukuk	263,991	-
Corporate bonds and sukuk	7,267,106	7,072,807
Redeemable preference shares	25,000	30,866
	<u>8,174,237</u>	<u>7,763,273</u>
Total financial assets at fair value through profit or loss	<u>21,792,113</u>	<u>24,422,067</u>

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

	Note	<b>The Group</b>	
		<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>At fair value</b>			
Debt instruments	(a)	29,923,884	24,921,094
Equity instruments	(b)	44,368	44,331
		<u>29,968,252</u>	<u>24,965,425</u>
(a) Debt instruments			
Money market instruments:			
Government treasury bills		506,741	-
Malaysian Government securities		3,175,852	1,656,380
Malaysian Government investment certificates		9,161,661	6,334,482
Negotiable instruments of deposit		1,388,269	1,197,900
Other Government securities		115,716	694,508
Khazanah bonds		382,426	272,685
Cagamas bonds		1,747,012	1,367,584
		<u>16,477,677</u>	<u>11,523,539</u>
Quoted securities:			
Foreign currency bonds in Malaysia		1,724,809	1,776,207
Foreign currency bonds outside Malaysia		1,405,436	1,638,380
		<u>3,130,245</u>	<u>3,414,587</u>
Unquoted securities:			
Malaysian Government sukuk		751,320	350,898
Corporate bonds and sukuk		8,530,430	7,995,442
Foreign currency bonds in Malaysia		399,427	973,343
Foreign currency bonds outside Malaysia		634,785	663,285
		<u>10,315,962</u>	<u>9,982,968</u>
		<u>29,923,884</u>	<u>24,921,094</u>

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

(a) Debt instruments (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>31 March 2020</b>				
As at 1 July	1,872	-	16,550	18,422
New financial assets originated or purchased	1,147	-	-	1,147
Financial assets derecognised	(1,048)	-	-	(1,048)
Changes due to change in credit risk	(256)	-	-	(256)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	27	-	225	252
As at 31 March	<u>1,722</u>	<u>-</u>	<u>16,775</u>	<u>18,497</u>
<b>30 June 2019</b>				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	2,633	-	16,569	19,202
As at 1 July, as restated	<u>2,633</u>	<u>-</u>	<u>16,569</u>	<u>19,202</u>
New financial assets originated or purchased	1,026	-	-	1,026
Financial assets derecognised	(1,451)	-	(166)	(1,617)
Changes due to change in credit risk	(377)	-	-	(377)
Exchange differences	41	-	147	188
As at 30 June	<u>1,872</u>	<u>-</u>	<u>16,550</u>	<u>18,422</u>

The Group	
As at 31/03/2020 RM '000	As at 30/06/2019 RM '000

(b) Equity instruments

Quoted securities:		
Shares and warrants in Malaysia	37	-
Unquoted securities:		
Shares in Malaysia	44,331	44,331
	<u>44,368</u>	<u>44,331</u>

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**11. Financial investments at amortised cost**

	The Group	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
Money market instruments:		
Government treasury bills	56,049	53,820
Malaysian Government securities	1,849,868	260,010
Malaysian Government investment certificates	9,945,248	9,200,311
Khazanah bonds	313,069	304,266
Other Government securities	448,697	326,179
	12,612,931	10,144,586
Quoted securities:		
Foreign currency bonds in Malaysia	856,745	845,592
Foreign currency bonds outside Malaysia	142,598	151,587
	999,343	997,179
Unquoted securities:		
Malaysian Government sukuk	2,636,585	2,657,094
Corporate bonds and sukuk	2,034,144	2,037,237
Foreign currency bonds outside Malaysia	17,137	53,810
	4,687,866	4,748,141
Less: Expected credit losses	(293)	(1,043)
Total financial investments at amortised cost	18,299,847	15,888,863

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>31 March 2020</b>				
As at 1 July	216	-	827	1,043
Financial assets derecognised	(21)	-	-	(21)
Changes due to change in credit risk	94	-	-	94
Amount written off	-	-	(827)	(827)
Exchange differences	4	-	-	4
As at 31 March	293	-	-	293
<b>30 June 2019</b>				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	27	-	827	854
As at 1 July, as restated	27	-	827	854
New financial assets originated or purchased	189	-	-	189
As at 30 June	216	-	827	1,043



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**12. Loans, advances and financing**

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Overdrafts	3,614,270	3,863,555
Term loans/financing:		
- Housing and shop loans/financing	80,802,468	76,495,886
- Syndicated term loans/financing	13,203,501	11,740,501
- Hire purchase receivables	17,499,547	17,634,182
- Ijarah receivables	158,845	-
- Other term loans/financing	8,326,940	8,192,827
Credit/charge card receivables	3,344,717	3,597,974
Bills receivable	952,272	1,061,015
Trust receipts	424,363	421,884
Policy and premium loans	532,447	544,109
Claims on customers under acceptance credits	6,995,271	8,029,521
Revolving credits	6,910,550	6,227,550
Staff loans/financing	135,706	138,804
Other loans/financing	277,484	371,329
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</u>
Fair value changes arising from fair value hedges	16,661	3,473
Expected credit losses	(1,273,307)	(1,264,994)
Total net loans, advances and financing	<u>141,921,735</u>	<u>137,057,616</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM1,019,764,000 (2019: RM236,439,000).

(a) By type of customers

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Domestic non-bank financial institutions	1,410,432	953,920
Domestic business enterprises:		
- Small and medium enterprises	21,273,298	21,504,631
- Others	19,418,599	19,303,934
Government and statutory bodies	1,873	2,037
Individuals	97,920,981	94,057,634
Other domestic entities	1,036,460	418,282
Foreign entities	2,116,738	2,078,699
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,591,370	1,641,152
- Hire purchase receivables	17,337,322	17,413,826
- Other fixed rate loans/financing	7,158,352	6,919,394
Variable rate		
- Base rate/base lending rate plus	99,123,766	94,502,743
- Cost plus	17,145,862	17,225,281
- Other variable rates	821,709	616,741
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</u>

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

(c) By economic purposes

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Purchase of securities	870,583	1,010,286
Purchase of transport vehicles	17,292,427	17,489,214
Purchase of landed properties		
- Residential	71,758,453	67,438,186
- Non-residential	16,824,919	16,369,237
Purchase of fixed assets (excluding landed properties)	1,080,277	988,287
Personal use	3,518,602	3,389,881
Credit card	3,344,717	3,597,974
Construction	2,494,433	2,006,223
Mergers and acquisition	174,639	312,445
Working capital	23,905,444	23,798,349
Other purposes	1,913,887	1,919,055
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Malaysia	135,203,053	131,208,547
Singapore	5,579,811	5,224,287
Vietnam	821,709	616,741
Cambodia	1,573,808	1,269,562
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</u>

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Within one year	25,386,094	26,983,273
One year to less than three years	5,513,173	5,920,568
Three years to less than five years	10,746,212	9,612,277
Five years and more	101,532,902	95,803,019
Gross loans, advances and financing	<u>143,178,381</u>	<u>138,319,137</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>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
As at 1 July	1,078,009	1,132,387
Effect of adopting MFRS 9	-	(11)
As at 1 July, as restated	<u>1,078,009</u>	<u>1,132,376</u>
Classified as impaired during the financial period/year	1,762,363	1,620,203
Reclassified as non-impaired during the financial period/year	(762,611)	(868,464)
Amount written back in respect of recoveries	(401,279)	(489,105)
Amount written off	(268,358)	(318,398)
Exchange differences	1,613	1,397
As at end of the financial period/year	<u>1,409,737</u>	<u>1,078,009</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>1.0%</u>	<u>0.8%</u>

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

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

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Purchase of securities	2,109	51
Purchase of transport vehicles	132,644	122,231
Purchase of landed properties		
- Residential	571,478	376,570
- Non-residential	162,358	169,127
Purchase of fixed assets (excluding landed properties)	4,567	5,325
Personal use	54,494	44,470
Credit card	38,611	32,505
Construction	10,201	17,350
Working capital	365,876	305,350
Other purposes	67,399	5,030
Gross credit impaired/impaired loans, advances and financing	<u>1,409,737</u>	<u>1,078,009</u>

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

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Malaysia	1,310,533	1,070,808
Singapore	94,115	1,512
Vietnam	1,598	1,621
Cambodia	3,491	4,068
Gross impaired loans, advances and financing	<u>1,409,737</u>	<u>1,078,009</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 31 March 2020</b>				
As at 1 July	369,855	498,326	396,813	1,264,994
Changes in ECL due to transfer within stages	(88,522)	(140,652)	229,174	-
Transfer to Stage 1	12,664	(12,563)	(101)	-
Transfer to Stage 2	(101,061)	170,360	(69,299)	-
Transfer to Stage 3	(125)	(298,449)	298,574	-
New financial assets originated	46,940	1,884	4,050	52,874
Financial assets derecognised	(16,038)	(35,089)	(21,077)	(72,204)
Changes due to change in credit risk	49,224	127,029	129,020	305,273
Changes in models/risk parameters	(2,712)	(2,857)	3,282	(2,287)
Amount written off	-	-	(268,954)	(268,954)
Exchange differences	240	283	1,385	1,908
Other movements	-	-	(8,297)	(8,297)
As at 31 March	<u>358,987</u>	<u>448,924</u>	<u>465,396</u>	<u>1,273,307</u>

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

The Group 30 June 2019	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July				1,007,692
Effect of adopting MFRS 9				360,630
As at 1 July, as restated	418,458	487,760	462,104	1,368,322
Changes in ECL due to transfer within stages	(101,284)	(144,222)	245,506	-
Transfer to Stage 1	23,088	(22,843)	(245)	-
Transfer to Stage 2	(124,380)	219,695	(95,315)	-
Transfer to Stage 3	8	(341,074)	341,066	-
New financial assets originated	53,868	4,019	110	57,997
Financial assets derecognised	(34,800)	(42,683)	(29,024)	(106,507)
Changes due to change in credit risk	33,156	193,326	42,597	269,079
Amount written off	-	-	(282,501)	(282,501)
Exchange differences	457	126	1,578	2,161
Other movements	-	-	(43,557)	(43,557)
As at 30 June	369,855	498,326	396,813	1,264,994

**13. Other receivables**

	The Group	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
	Foreclosed properties	18,387
Sundry debtors and other prepayments	517,895	450,480
Treasury related receivables	371,427	242,617
Cash collateral pledged for derivative transactions	755,899	308,969
Fee income receivables	4,828	7,511
Other receivables	201,725	301,246
	1,870,161	1,332,662

  

	The Company	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
	Amount due from subsidiary companies	715
Sundry debtors and other prepayments	1,721	3,455
	2,436	4,157

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**14. Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
<b>At amortised cost</b>		
Fixed deposits	94,321,561	90,777,422
Negotiable instruments of deposits	9,931,152	9,823,072
Short-term placements	15,526,893	16,571,939
	<u>119,779,606</u>	<u>117,172,433</u>
Demand deposits	25,160,559	24,012,738
Savings deposits	19,097,919	17,706,562
Others	750,199	891,350
	<u>164,788,283</u>	<u>159,783,083</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	1,123,968	2,159,671
Fair value changes arising from designation at fair value through profit or loss*	5,099	(54,869)
	<u>1,129,067</u>	<u>2,104,802</u>
	<u>165,917,350</u>	<u>161,887,885</u>

\*Note:

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

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

(b) By type of customers

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Government and statutory bodies	6,144,525	7,940,833
Business enterprises	63,514,989	65,288,256
Individuals	92,990,495	85,560,723
Others	3,267,341	3,098,073
	<u>165,917,350</u>	<u>161,887,885</u>

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

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Due within six months	99,939,572	93,925,096
More than six months to one year	18,733,894	21,763,420
More than one year to five years	965,417	1,440,321
More than five years	140,723	43,596
	<u>119,779,606</u>	<u>117,172,433</u>

**15. Investment accounts of customers**

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
Unrestricted investment accounts	883,142	2,235

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

	The Group	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
Licensed banks	6,224,744	7,379,378
Licensed investment banks	128,160	225,055
Licensed Islamic banks	-	140,000
Central banks	202,200	12,222
Other financial institutions	1,910,785	2,023,889
	8,465,889	9,780,544

The maturity structure of deposits and placements of banks and other financial institutions:

- One year or less (short-term)	8,465,889	9,780,544
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**17. Payables and other liabilities**

	Note	The Group	
		As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
Trade payables		3,292,111	3,062,424
Post employment benefits obligation - defined contribution plan		1,911	1,892
Loan advance payment		3,423,386	3,351,885
Treasury and cheque clearing		643,664	452,626
Treasury related payables		174,161	149,347
Sundry creditors and accruals		308,187	224,309
Provision for reinstatement cost		23,804	-
Provision for bonus and staff related expenses		163,794	222,387
Expected credit losses on financial guarantee contracts	(a)	9,084	7,928
Financial liabilities due to third party investors	(b)	5,165,706	4,816,377
Others		944,228	945,272
		14,150,036	13,234,447

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

The Group 31 March 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	(47)	41	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(51)	51	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	171	1	-	172
Financial assets derecognised	(21)	(23)	-	(44)
Changes due to change in credit risk	1,430	13	4	1,447
Changes in models/risk parameters	(264)	(296)	(22)	(582)
Exchange differences	8	164	-	172
Other movements	-	-	(9)	(9)
As at 31 March	3,657	5,427	-	9,084

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

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

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

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

	The Company	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
Post employment benefits obligation - defined contribution plan	46	45
Sundry creditors and accruals	1,249	20,848
Provision for reinstatement cost	234	-
Provision for bonus and staff related expenses	9,732	13,025
	11,261	33,918

**18. Interest income**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Loans, advances and financing	1,176,830	1,218,796	3,646,732	3,634,035
Money at call and deposit placements with financial institutions	105,167	111,914	333,376	342,831
Securities purchased under resale agreements	(22)	11	-	951
Financial investments at fair value through other comprehensive income	176,454	219,551	530,451	672,134
Financial investments at amortised cost	106,295	112,037	314,844	352,070
Others	5,143	6,943	17,632	17,427
	1,569,867	1,669,252	4,843,035	5,019,448
Of which:				
Interest income earned on impaired loans, advances and financing	4,390	3,181	7,294	10,967

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**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Money at call and deposit placements with financial institutions	126	121	685	694
Subordinated obligations	17,659	5,992	53,365	18,242
Multi-currency Additional Tier 1 capital securities	9,823	5,215	29,685	15,559
Others	-	-	-	263
	<u>27,608</u>	<u>11,328</u>	<u>83,735</u>	<u>34,758</u>

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

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Financial assets at fair value through profit or loss	<u>86,872</u>	<u>115,675</u>	<u>255,510</u>	<u>334,142</u>

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Deposits and placements of banks and other financial institutions	49,116	81,986	143,928	240,571
Deposits from customers	738,733	794,043	2,220,819	2,335,592
Short-term placements	73,844	96,669	275,730	322,671
Borrowings	10,672	11,364	37,503	40,561
Subordinated obligations	25,019	34,914	75,897	106,339
Recourse obligations on loans sold to Cagamas Berhad	2,603	1,875	3,985	5,707
Innovative Tier 1 capital securities	-	10,259	8,413	30,610
Multi-currency Additional Tier 1 capital securities	10,011	5,302	30,252	15,818
Others	6,395	1,545	18,971	4,816
	<u>916,393</u>	<u>1,037,957</u>	<u>2,815,498</u>	<u>3,102,685</u>

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Borrowings	10,691	11,383	37,559	40,604
Subordinated obligations	18,068	6,118	54,599	18,623
Multi-currency Additional Tier 1 capital securities	10,122	5,379	30,587	16,048
Others	97	79	478	261
	<u>38,978</u>	<u>22,959</u>	<u>123,223</u>	<u>75,536</u>



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**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Income derived from investment of depositors' funds and others	387,450	388,474	1,174,687	1,099,496
of which finance income	356,234	377,606	1,127,353	1,082,273
of which other operating income	31,216	10,868	47,334	17,223
Income derived from investment of shareholders' funds	60,527	31,838	157,486	118,792
of which finance income	44,440	20,186	111,495	81,461
of which other operating income	16,087	11,652	45,991	37,331
Income derived from investment of investment accounts	4,939	2	11,427	2
Income attributable to depositors	(237,107)	(231,845)	(715,538)	(686,001)
Income attributable to depositors on investment accounts	(9,525)	(1)	(15,593)	(1)
	<u>206,284</u>	<u>188,468</u>	<u>612,469</u>	<u>532,288</u>

**22. Non-interest income**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Net income from insurance business	3,712	64,653	102,375	206,412
Net brokerage and commissions from stockbroking business	22,047	12,897	48,100	39,580
Net unit trust and asset management income	11,049	11,786	45,733	37,313
Fee income:				
Commissions	36,277	31,336	116,636	111,566
Service charges and fees	10,447	12,597	33,628	39,343
Guarantee fees	3,633	3,359	10,779	11,404
Credit card related fees	48,774	57,869	159,633	180,128
Corporate advisory fees	948	768	2,932	4,850
Commitment fees	8,067	8,149	24,765	24,373
Fee on loans, advances and financing	10,814	8,660	34,070	27,985
Placement fees	6,078	336	8,281	2,025
Arranger fees	798	877	2,852	2,585
Other fee income	22,011	35,521	112,096	83,129
	<u>147,847</u>	<u>159,472</u>	<u>505,672</u>	<u>487,388</u>
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	35,212	30,126	97,568	73,054
Financial investments at fair value through other comprehensive income	137,635	52,592	268,989	80,351
Financial investments at amortised cost	-	15,902	-	15,902
Derivative financial instruments	25,680	(113,301)	(1,984)	(240,889)
	<u>198,527</u>	<u>(14,681)</u>	<u>364,573</u>	<u>(71,582)</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	15,404	17,593	40,055	71,509
Financial investments at fair value through other comprehensive income	-	-	3,683	203
	<u>15,404</u>	<u>17,593</u>	<u>43,738</u>	<u>71,712</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets at fair value through profit or loss	(74,044)	48,110	(91,327)	60,763
Derivative financial instruments	(131,780)	15,301	(137,659)	72,625
	<u>(205,824)</u>	<u>63,411</u>	<u>(228,986)</u>	<u>133,388</u>
Net realised loss on fair value changes arising from fair value hedges	(596)	(109)	(1,475)	(290)

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

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Net unrealised loss on fair value changes arising from fair value hedges	(808)	(149)	(998)	(197)
Other income:				
Foreign exchange (loss)/gain	(4,589)	49,663	32,155	134,982
Rental income	2,238	2,141	6,623	5,007
Net gain on disposal of property and equipment	3,780	5	4,136	353
Net gain on divestment of joint venture	-	-	-	90,106
Other non-operating income	3,082	5,585	11,504	18,797
	4,511	57,394	54,418	249,245
Total non-interest income	195,869	372,267	933,150	1,152,969

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Fee income:				
Management fees	2,919	2,607	9,424	7,561
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	-	(15)	-	(66)
Derivative financial instruments	-	-	135	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	-	193	142	1,150
Subsidiary companies	214,422	214,422	773,246	681,419
Net unrealised gain on revaluation of:				
Derivative financial instruments	-	49	-	155
Other income:				
Gain from distribution on liquidation of subsidiary	83	-	83	21
Other non-operating income	57	21	172	47
Total non-interest income	217,481	217,277	783,202	690,287

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	302,808	304,123	909,724	886,850
- Medical expenses	10,996	8,938	27,679	21,976
- Training and convention expenses	2,474	4,867	15,061	17,538
- Staff welfare	3,078	3,058	7,803	8,012
- Others	12,853	13,363	39,522	55,311
	332,209	334,349	999,789	989,687
<u>Establishment costs</u>				
- Depreciation of property and equipment	35,590	34,939	106,301	103,896
- Depreciation of right-of-use assets	13,945	-	41,459	-
- Amortisation of intangible assets	16,055	14,726	47,275	45,024
- Rental of premises	(68)	16,431	2,995	50,508
- Information technology expenses	47,310	47,477	136,186	137,904
- Security services	7,574	7,425	21,863	21,245
- Electricity, water and sewerage	6,765	6,958	19,120	19,521
- Hire of plant and machinery	2,824	3,167	9,696	9,301
- Others	7,949	9,670	20,478	28,246
	137,944	140,793	405,373	415,645

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**23. Overhead expenses (continued)**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	7,609	11,073	23,829	23,015
- Sales commission and credit card related fees	29,405	30,038	94,213	94,909
- Others	13,257	7,521	34,116	26,751
	<u>50,271</u>	<u>48,632</u>	<u>152,158</u>	<u>144,675</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	6,032	5,962	17,335	14,795
- Stationery and printing expenses	3,945	3,792	10,452	11,244
- Professional fees	19,925	22,844	68,785	65,999
- Insurance fees	11,427	10,818	32,723	32,156
- Stamp, postage and courier	4,282	4,732	11,256	11,454
- Credit card fees	12,398	10,412	35,737	31,633
- Travelling and transport expenses	966	1,180	3,408	3,536
- Registration and license fees	2,518	2,397	6,809	7,405
- Brokerage and commission	2,036	2,420	6,366	6,241
- Others	15,488	12,124	32,890	30,852
	<u>79,017</u>	<u>76,681</u>	<u>225,761</u>	<u>215,315</u>
	<u>599,441</u>	<u>600,455</u>	<u>1,783,081</u>	<u>1,765,322</u>

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	783	6,561	12,333	17,533
- Medical expenses	102	45	142	106
- Training and convention expenses	4	15	20	41
- Staff welfare	140	152	427	447
- Others	2,648	3,353	7,932	10,033
	<u>3,677</u>	<u>10,126</u>	<u>20,854</u>	<u>28,160</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	195	286	571	856
- Depreciation of right-of-use assets	235	-	705	-
- Amortisation of intangible assets	-	-	1	1
- Rental of premises	-	235	-	704
- Information technology expenses	43	55	92	117
- Electricity, water and sewerage	13	15	34	37
- Others	100	67	226	143
	<u>586</u>	<u>658</u>	<u>1,629</u>	<u>1,858</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	10	8	20	29
- Stationery and printing expenses	6	7	20	31
- Professional fees	452	385	955	870
- Management fees	533	692	1,598	1,730
- Travelling and transport expenses	4	13	24	44
- Others	30	164	101	502
	<u>1,035</u>	<u>1,269</u>	<u>2,718</u>	<u>3,206</u>
	<u>5,298</u>	<u>12,053</u>	<u>25,201</u>	<u>33,224</u>

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

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	167,667	55,040	284,649	128,942
- Clients' and brokers' balances	1,635	(29)	1,724	(51)
- Other assets	381	-	381	-
Impaired loans, advances and financing:				
- Written off	3,468	4,670	13,272	13,761
- Recovered from bad debt written off	(43,931)	(55,045)	(160,052)	(177,437)
	<u>129,220</u>	<u>4,636</u>	<u>139,974</u>	<u>(34,785)</u>

**25. Writeback of impairment losses on other assets**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(645)	(1,258)	(177)	(748)
- Financial investments at amortised cost	113	60	73	262
- Other receivables	39	(36)	80	(283)
- Cash and short-term funds	(136)	(962)	(179)	118
- Deposits and placements with banks and other financial institutions	(1,328)	734	(94)	189
	<u>(1,957)</u>	<u>(1,462)</u>	<u>(297)</u>	<u>(462)</u>

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(161)	-	(295)	-

**26. Capital adequacy**

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

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.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total RWA, which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2020	30/06/2019	31/03/2020	30/06/2019	31/03/2020	30/06/2019	31/03/2020	30/06/2019
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	10.765%	10.903%	12.909%	13.627%	12.939%	13.266%	29.278%	30.907%
Tier 1 capital ratio	11.746%	11.895%	13.489%	14.585%	13.297%	14.074%	29.278%	30.907%
Total capital ratio	14.817%	14.968%	15.729%	16.839%	15.430%	16.203%	38.432%	43.489%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	10.765%	10.903%	12.909%	13.113%	12.939%	12.640%	29.278%	28.642%
Tier 1 capital ratio	11.746%	11.895%	13.489%	14.072%	13.297%	13.448%	29.278%	28.642%
Total capital ratio	14.817%	14.968%	15.729%	16.326%	15.430%	15.577%	38.432%	41.224%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	15,568,379	15,196,453	16,611,573	16,686,412	11,827,031	12,034,337	209,920	237,920
Other reserves	887,222	874,076	892,848	849,361	291,859	315,816	80	3,507
Qualifying non-controlling interests	5,680,062	5,398,860	-	-	-	-	-	-
Less: Treasury shares	(238,834)	(161,909)	(723,344)	(727,817)	(723,344)	(727,817)	-	-
Less: Other intangible assets	(184,149)	(128,331)	(181,654)	(125,225)	(162,184)	(110,895)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,805)	(31,129)
Less: Deferred tax assets	-	-	(85,691)	(16,030)	(48,067)	-	(88,558)	(80,926)
Less: Investment in subsidiary companies/ associated companies	(7,186,401)	(6,661,118)	(4,623,740)	(4,106,375)	(2,728,289)	(2,726,932)	(200)	(200)
Total CET 1 capital	14,447,000	14,438,752	17,797,743	18,468,077	14,424,522	14,752,025	343,387	382,122

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000	31/03/2020 RM '000	30/06/2019 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,256	799,577	799,212	799,523	799,212	799,523	-	-
Innovative Tier 1 capital securities	-	-	-	499,498	-	499,498	-	-
Qualifying non-controlling interests	516,247	513,375	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,315,503	1,312,952	799,212	1,299,021	799,212	1,299,021	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,315,503	1,312,952	799,212	1,299,021	399,212	899,021	-	-
Total Tier 1 capital	15,762,503	15,751,704	18,596,955	19,767,098	14,823,734	15,651,046	343,387	382,122
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	1,596,492	1,560,449	1,589,134	1,554,893	1,277,203	1,267,205	7,359	5,556
Subordinated obligations	1,599,810	1,599,790	1,499,970	1,499,970	1,499,970	1,499,970	100,000	150,000
Qualifying non-controlling interests	925,588	909,772	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,121,890	4,070,011	3,089,104	3,054,863	2,377,173	2,367,175	107,359	155,556
Total capital	19,884,393	19,821,715	21,686,059	22,821,961	17,200,907	18,018,221	450,746	537,678

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM958,238,000 (2019: RM847,070,000), Hong Leong Bank Berhad of RM766,679,000 (2019: RM695,197,000) and Hong Leong Investment Bank Berhad of RM Nil (2019: RM Nil) respectively.

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**26. Capital adequacy (continued)**

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

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>31/03/2020</b>	<b>30/06/2019</b>	<b>31/03/2020</b>	<b>30/06/2019</b>	<b>31/03/2020</b>	<b>30/06/2019</b>	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Credit risk *	122,676,226	120,247,407	127,130,702	124,391,420	102,176,270	101,376,433	588,731	444,468
Market risk	2,636,497	3,244,202	2,237,132	2,558,573	2,263,471	2,595,185	327,533	519,266
Operational risk	8,887,358	8,936,235	8,502,473	8,577,308	7,039,800	7,233,933	256,586	272,622
Total RWA	<u>134,200,081</u>	<u>132,427,844</u>	<u>137,870,307</u>	<u>135,527,301</u>	<u>111,479,541</u>	<u>111,205,551</u>	<u>1,172,850</u>	<u>1,236,356</u>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM628,135,000 (2019: RM1,294,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>31/03/2020</b>	<b>30/06/2019</b>
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	10.465%	10.529%
Tier 1 capital ratio	12.109%	12.258%
Total capital ratio	<u>14.927%</u>	<u>15.150%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	10.465%	10.529%
Tier 1 capital ratio	12.109%	12.258%
Total capital ratio	<u>14.927%</u>	<u>15.150%</u>

**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 31 March 2020.

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

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

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

**29. Related party transactions**

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

**30. Commitments and contingencies**

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

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

	<b>The Group</b>	
	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	141,906	118,740
Certain transaction related contingent items	1,508,507	1,446,851
Short-term self liquidating trade related contingencies	677,614	674,511
Obligations under underwriting agreement	-	18,860
Irrevocable commitments to extend credit:		
- Less than one year	21,783,986	19,020,280
- More than one year	17,636,956	17,720,606
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	891,943	750,103
Foreign exchange related contracts:		
- Less than one year	48,635,626	37,642,710
- One year to less than five years	4,417,229	3,995,994
- Five years and above	333,333	301,327
Interest rate related contracts:		
- Less than one year	22,143,413	43,078,630
- One year to less than five years	34,001,903	37,887,050
- Five years and above	2,878,083	3,415,389
Equity related contracts:		
- Less than one year	463,471	627,537
- One year to less than five years	144,259	127,853
Credit related contracts:		
- Five years and above	238,523	82,753
Unutilised credit card lines	7,357,413	7,276,500
<b>Total</b>	<b>163,254,165</b>	<b>174,185,694</b>



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**30. Commitments and contingencies (continued)**

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

	<b>The Company</b>	
	<b>31/03/2020</b>	<b>30/06/2019</b>
	<b>RM '000</b>	<b>RM '000</b>
Interest rate related contracts:		
- Less than one year	-	100,000

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

The size of the fund was above the minimum of RM1 million (2019: RM1 million).

**31. Fair value of financial instruments**

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>31 March 2020</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	10,423,262	-	10,423,262
- Quoted securities	3,194,614	-	-	3,194,614
- Unquoted securities	-	7,847,616	326,621	8,174,237
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	16,477,677	-	16,477,677
- Quoted securities	3,130,282	-	-	3,130,282
- Unquoted securities	-	10,315,962	44,331	10,360,293
Derivative financial instruments	-	1,486,290	34,166	1,520,456
	<u>6,324,896</u>	<u>46,550,807</u>	<u>405,118</u>	<u>53,280,821</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	-	1,646,152	34,166	1,680,318
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,129,067	-	1,129,067
	<u>-</u>	<u>2,775,219</u>	<u>34,166</u>	<u>2,809,385</u>

**30 June 2019**

***Recurring fair value measurements***

**Financial assets**

Financial assets at fair value through profit or loss

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

Financial investments at fair value through other comprehensive income

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

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

**Financial liabilities**

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

- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	<u>2,940</u>	<u>2,826,493</u>	<u>7,812</u>	<u>2,837,245</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2019: RM Nil).

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 June 2019</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	-	135	-	135

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

Determination of fair value and fair value hierarchy (continued)

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

	Financial assets			Financial liability
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income	Derivative financial instruments	Derivative financial instruments
	RM '000	RM '000	RM '000	RM '000
<b>The Group</b>				
<b>31 March 2020</b>				
As at 1 July	326,621	44,331	7,812	7,812
Fair value changes recognised in statements of income	-	-	367	367
Purchases	-	-	(31,567)	(31,567)
Settlements	-	-	57,554	57,554
As at 31 March	<u>326,621</u>	<u>44,331</u>	<u>34,166</u>	<u>34,166</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2020	-	-	367	367

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**32. Change in accounting policies**

**Effects of adopting MFRS 16 Leases**

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

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

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

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

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

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

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

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

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

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

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

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

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM603.4 million for the current quarter ended 31 March 2020 as compared to RM859.1 million in the previous corresponding quarter, a decrease of RM255.7 million or 29.8%. The decrease was mainly due to lower contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM637.2 million for the current quarter ended 31 March 2020 as compared to RM778.7 million in the previous corresponding quarter, a decrease of RM141.5 million or 18.2%. The decrease was mainly due to lower revenue of RM37.7 million and higher operating expenses of RM8.1 million and higher allowance for impairment losses on loans, advances and financing of RM121.2 million. This was however mitigated by higher write back of impairment losses on other assets of RM0.9 million and higher share of profit from associated companies of RM24.6 million.

HLA Holdings Group recorded a loss before tax of RM42.9 million for the current quarter ended 31 March 2020 as compared to profit before tax of RM83.8 million in the previous corresponding quarter, a decrease of RM126.7 million or 151.2%. The decrease was mainly due to lower revenue of RM80.0 million of which RM52.5 million was due to unrealised loss on revaluation of equities, and lower life fund surplus of RM55.6 million. This was however mitigated by lower operating expenses of RM1.0 million and higher share of profit from associated company of RM7.9 million.

Hong Leong Capital Group recorded a profit before tax of RM10.5 million for the current quarter ended 31 March 2020 as compared to RM18.4 million in the previous corresponding quarter, a decrease of RM7.9 million or 42.9%. The decrease was mainly due to lower contribution from the investment holding and asset management divisions.

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

HLFG Group recorded a profit before tax of RM2,441.2 million for the period ended 31 March 2020 as compared to RM2,665.7 million in the previous corresponding period, a decrease of RM224.5 million or 8.4%. The decrease was mainly due to lower contribution from the commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,340.7 million for the period ended 31 March 2020 as compared to RM2,453.0 million in the previous corresponding period, a decrease of RM112.3 million or 4.6%. The decrease was mainly due to higher operating expenses of RM21.4 million and higher allowance for impairment losses on loans, advances and financing of RM171.0 million. This was however mitigated by higher revenue of RM23.7 million and higher share of profit from associated companies of RM56.4 million.

HLA Holdings Group recorded a profit before tax of RM83.3 million for the period ended 31 March 2020 as compared to RM224.7 million in the previous corresponding period, a decrease of RM141.4 million or 62.9%. The decrease was mainly due to lower revenue of RM69.9 million of which RM40.9 million was due to unrealised loss on revaluation of equities, and lower life fund surplus of RM92.5 million. This was however mitigated by lower operating expenses of RM1.8 million and higher share of profit from associated company of RM19.2 million.

Hong Leong Capital Group recorded a profit before tax of RM58.1 million for the period ended 31 March 2020 as compared to RM56.0 million in the previous corresponding period, an increase of RM2.1 million or 3.8%. This was mainly due to higher contribution from the asset management, investment banking and stockbroking divisions.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM603.4 million for the current quarter ended 31 March 2020 as compared to RM924.2 million in the preceding quarter, a decrease of RM320.8 million or 34.7%. The decrease was mainly due to lower contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM637.2 million for the current quarter ended 31 March 2020 as compared to RM857.0 million in the preceding quarter, a decrease of RM219.8 million or 25.6%. The decrease was mainly due to lower revenue of RM108.5 million, higher operating expenses of RM6.6 million, higher allowance for impairment losses on loans, advances and financing of RM106.5 million and lower share of profit from associated companies of RM1.8 million. This was however mitigated by higher write back of impairment losses on other assets of RM3.6 million.

HLA Holdings Group recorded a loss before tax of RM42.9 million for the current quarter ended 31 March 2020 as compared to profit before tax of RM64.7 million in the preceding quarter, a decrease of RM107.6 million or 166.3%. The decrease was mainly due to lower revenue of RM72.8 million of which RM64.0 million was due to unrealised loss on revaluation of equities, and lower life fund surplus of RM42.7 million. This was however mitigated by lower operating expenses of RM5.3 million and higher share of profit from associated company of RM2.6 million.

Hong Leong Capital Group recorded a profit before tax of RM10.5 million for the current quarter ended 31 March 2020 as compared to RM23.0 million in the preceding quarter, a decrease of RM12.5 million or 54.3%. This was mainly due to lower contribution from the investment holding and asset management divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
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**3. Prospects for the current financial year**

In the first quarter of 2020, the Malaysian economy showed a GDP growth of +0.7%. However with the global Covid-19 pandemic, full year GDP growth can be expected to be between -2% to +0.5%. The business environment continues to be highly challenging with both domestic and global economies impacted by the implementation of restricted movement orders to stop the spread of pandemic.

We remain vigilant in prudently managing key business risks and expect the core strengths of our operating businesses in liquidity, capital and credit discipline to serve us well. Although disruption to the global supply chain seem to have abated somewhat, the impact of much softer demand will continue for the remaining period of this financial year and flow through to the next.

While our strong digital offering enabled us to continue to keep in close contact and to serve our customers during this difficult time, we will continue to further strengthen our digital strategy to build long term sustainable value for our shareholders.

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

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

**5. Taxation**

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Income tax	114,596	168,850	476,945	493,861
Transfer to deferred tax	(23,609)	(9,725)	(48,740)	(29,628)
	90,987	159,125	428,205	464,233
Prior year over provision	(438)	(1,990)	(438)	(2,018)
	90,549	157,135	427,767	462,215

  

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Income tax	(2,172)	2,820	440	4,650
Transfer from/(to) deferred tax	113	26	23	(1)
	(2,059)	2,846	463	4,649

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.

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**7. Borrowings**

	The Group		The Company	
	As at	As at	As at	As at
	31/03/2020	30/06/2019	31/03/2020	30/06/2019
	RM '000	RM '000	RM '000	RM '000
<b>Unsecured</b>				
RM Term loans	5,001	150,058	5,001	150,058
RM Revolving credit	263,320	430,501	263,320	430,501
RM Medium term notes	220,383	222,950	250,442	253,368
RM Commercial papers	149,853	214,587	149,853	214,587
RM Senior notes	376,114	380,181	401,085	405,367
	<u>1,014,671</u>	<u>1,398,277</u>	<u>1,069,701</u>	<u>1,453,881</u>
Repayment of term loans				
- Less than one year	5,001	150,058	5,001	150,058
Repayment of revolving credit				
- Less than one year	263,320	430,501	263,320	430,501
Repayment of medium term notes				
- Less than one year	220,383	3,375	250,442	3,375
- One to three years	-	219,575	-	249,993
Repayment of commercial papers				
- Less than one year	149,853	214,587	149,853	214,587
Repayment of senior notes				
- Less than one year	1,192	5,530	1,117	5,455
- One to three years	374,922	374,651	399,968	399,912
	<u>1,014,671</u>	<u>1,398,277</u>	<u>1,069,701</u>	<u>1,453,881</u>

**8. Subordinated obligations**

	Note	The Group		The Company	
		As at	As at	As at	As at
		31/03/2020	30/06/2019	31/03/2020	30/06/2019
		RM '000	RM '000	RM '000	RM '000
RM500.0 million Tier 2 subordinated debt, at par	(a)	300,000	500,000	-	-
Add: Interest payable		1,804	8,815	-	-
		<u>301,804</u>	<u>508,815</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		-	(1,089)	-	-
		<u>301,804</u>	<u>507,726</u>	<u>-</u>	<u>-</u>
RM50.0 million Tier 2 subordinated notes, at par	(b)	-	50,000	-	-
Add: Interest payable		-	406	-	-
		<u>-</u>	<u>50,406</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		-	(98)	-	-
		<u>-</u>	<u>50,308</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(c)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,417	2,608	20,417	2,608
		<u>1,620,417</u>	<u>1,602,608</u>	<u>1,620,417</u>	<u>1,602,608</u>
Less: Unamortised discounts		(190)	(210)	(2,014)	(2,403)
		<u>1,620,227</u>	<u>1,602,398</u>	<u>1,618,403</u>	<u>1,600,205</u>
		<u>1,922,031</u>	<u>2,160,432</u>	<u>1,618,403</u>	<u>1,600,205</u>

(a) On 19 September 2012, Hong Leong Assurance Berhad ("HLA") has created and issued up to RM500.0 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

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

On 7 February 2013, HLA completed its RM500.0 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.50% per annum.

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

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**8. Subordinated obligations (continued)**

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

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

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

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

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

**9. Innovative Tier 1 capital securities**

	<b>The Group</b>	
	<b>As at 31/03/2020 RM '000</b>	<b>As at 30/06/2019 RM '000</b>
RM500.0 million Innovative Tier 1 capital securities, at par	-	453,200
Add: Interest payable	-	11,463
	-	464,663
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	-	464,273

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

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

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

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



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

	The Group		The Company	
	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000	As at 31/03/2020 RM '000	As at 30/06/2019 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,213	6,799	7,213	6,799
	<u>807,213</u>	<u>806,799</u>	<u>807,213</u>	<u>806,799</u>
Less: Unamortised discounts	(744)	(423)	(1,265)	(1,563)
	<u>806,469</u>	<u>806,376</u>	<u>805,948</u>	<u>805,236</u>

On 30 November 2017, the Company issued an unsecured RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

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

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

Details of financial instruments with off-balance sheet risk as at 31 March 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	40,684,410	628,535	(410,850)
(ii) 1 year to 3 years	268,968	4,134	2
(iii) More than 3 years	12,391	237	-
- Swaps			
(i) Less than 1 year	6,750,647	41,827	(141,374)
(ii) 1 year to 3 years	2,567,600	88,002	(42,235)
(iii) More than 3 years	1,901,603	78,909	(1,896)
- Options			
(i) Less than 1 year	1,200,569	10,189	(12,802)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,637,596	-	(505)
- Swaps			
(i) Less than 1 year	19,505,817	78,926	(123,106)
(ii) 1 year to 3 years	22,820,784	187,672	(414,064)
(iii) More than 3 years	13,754,207	338,996	(457,086)
- Cross currency swaps			
(i) 1 year to 3 years	197,875	6,530	-
(ii) More than 3 years	107,120	1,371	(21,272)
Equity related contracts			
(i) Less than 1 year	463,471	33,380	(33,382)
(ii) 1 year to 3 years	144,259	787	(787)
Credit related contracts			
(i) More than 3 years	238,523	20,961	(20,961)
<b>Total</b>	<b>113,255,840</b>	<b>1,520,456</b>	<b>(1,680,318)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 June 2019

**The Group**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	28,736,198	104,423	(91,391)
(ii) 1 year to 3 years	70,414	-	(317)
- Swaps			
(i) Less than 1 year	6,993,879	45,134	(24,170)
(ii) 1 year to 3 years	2,787,703	19,450	(54,137)
(iii) More than 3 years	1,439,204	120,602	(9,555)
- Options			
(i) Less than 1 year	1,912,633	8,129	(4,416)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	17,695,321	32	(3,074)
- Swaps			
(i) Less than 1 year	25,383,309	62,896	(70,300)
(ii) 1 year to 3 years	24,212,428	68,834	(157,629)
(iii) More than 3 years	16,788,596	116,174	(289,333)
- Cross currency swaps			
(i) 1 year to 3 years	194,295	12,514	-
(ii) More than 3 years	107,120	3,121	(19,299)
Equity related contracts			
(i) Less than 1 year	627,537	4,815	(4,761)
(ii) 1 year to 3 years	127,853	3,053	(3,053)
Credit related contracts			
(i) More than 3 years	82,753	1,008	(1,008)
<b>Total</b>	<b>127,159,243</b>	<b>570,185</b>	<b>(732,443)</b>

**The Company**

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

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM1,261,000 (2019: RM41,912,000) and RM53,453,233,000 (2019: RM79,552,125,000) respectively.

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

**Market risk (continued)**

Derivatives

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

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,473,383,000 (2019: RM580,235,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

**Liquidity risk**

Derivatives

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

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

**Related accounting policies**

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

Fair value hedge

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

Cash flow hedge

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

**12. Material litigation**

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

**13. Dividend**

For this quarter, in view of the current economic conditions, we have adopted a more prudent approach in respect of our dividend payment and will re-evaluate the situation at the close of our financial year (previous corresponding period: 31 March 2019 was 29 sen).

**14. Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Net profit attributable to equity holders	339,200	463,415	1,332,361	1,450,657
Weighted average number of ordinary shares ('000)	1,134,600	1,144,213	1,135,919	1,144,620
<b>Basic earnings per share (sen)</b>	<b>29.9</b>	<b>40.5</b>	<b>117.3</b>	<b>126.7</b>

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

(a) Basic earnings per share (continued)

	The Company		The Company	
	Current quarter ended 31/03/2020 RM '000	Last year quarter ended 31/03/2019 RM '000	Current year to date 31/03/2020 RM '000	Last year to date 31/03/2019 RM '000
Net profit attributable to equity holders	203,033	190,747	718,345	611,636
Weighted average number of ordinary shares ('000)	1,137,881	1,146,510	1,138,019	1,147,065
<b>Basic earnings per share (sen)</b>	<b>17.8</b>	<b>16.6</b>	<b>63.1</b>	<b>53.3</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 29 May 2020