Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 30 June 2020

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Directors' report
for the financial year ended 30 June 2020

The Directors of Hong Leong Investment Bank Berhad (the "Bank" or "HLIB") have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2020.

Principal activities

The Bank is principally engaged in investment banking, stockbroking business, futures broking and related financial services.

The principal activities of the subsidiary companies are nominee and custodian services as disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Net profit for the financial year	70,140	70,335

Dividends

Since the previous financial year ended 30 June 2019, a final single-tier dividend of 16.9697 sen per share on the Bank's issued and paid-up share capital amounting to RM28,000,005 was paid on 13 November 2019.

The Directors of the Bank recommend a final single-tier dividend of 40.0 sen per share on the Bank's issued and paid-up share capital amounting to RM66,000,000 for the financial year ended 30 June 2020.

Business strategy for the current financial year

The Bank's strategy is to focus to expand the range of investment banking products and to enable clients access to other foreign capital markets.

Outlook and business plan for the coming financial year

The key focus for the coming financial year is to strengthen and build on the existing stockbroking business and to offer innovative investment banking solutions while leveraging on Hong Leong Group relationship.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 47 to the financial statements.

Significant events after the financial year

Significant events after the financial year are disclosed in Note 48 to the financial statements.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements and notes to the financial statements.

Directors

The name of the Directors of the Bank in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:

YBhg Dato' Mohzani bin Abdul Wahab	(Chairman, Independent Non-Executive Director)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Martin Giles Manen (Retired on 30.07.2019)	(Independent Non-Executive Director)
Mr Yong Yoong Fa	(Independent Non-Executive Director)
Encik Musa bin Mahmood	(Independent Non-Executive Director)
YM Raja Noorma binti Raja Othman	(Independent Non-Executive Director)

The names of directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

Statements of Directors' Responsibility

In preparing the financial statements, the Directors have ensured that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia with reasonable and prudent judgements and estimates.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the financial position of the Group and the Bank as at 30 June 2020 and of its financial performance and cash flows of the Group and of the Bank for the financial year ended 30 June 2020.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251 of the Companies Act 2016 is set out on page 166.

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Directors' report
for the financial year ended 30 June 2020 (continued)

Directors' interests

None of the Directors holding office at the end of the financial year end had any beneficial interest in the ordinary shares/options of the Bank and/or its related corporations during the financial year ended 30 June 2020, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, except for Mr Tan Kong Khoon whose interests are disclosed in the Directors' Report of the immediate holding company as provided for under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, none of the Directors of the Bank received or became entitled to receive any benefits (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During the financial year, Directors and Officers of the Group are covered under the Directors’ & Officers’ Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors’ & Officers’ Liability Insurance effected for the Directors & Officers of the penultimate holding company and its subsidiaries was RM10 million. The total amount of premium paid for the Directors’ & Officers’ Liability Insurance by the penultimate holding company and its subsidiaries was RM67,688 (2019: RM67,688) and the apportioned amount of the said premium paid by the Bank was RM960 (2019: RM1,178).

Share capital

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2020, the issued and paid-up share capital of the Company comprise of 165,000,000 ordinary shares.

Corporate Governance

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Bank towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders.

The Board also reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

Corporate Governance (continued)

A Board of Directors ("Board")

I Roles and Responsibilities of the Board

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Bank's Website. The key roles and responsibilities of the Board broadly covers reviewing and approving of corporate policies and strategies; overseeing and evaluating the conduct of the Bank's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and her management team are accountable to the Board for the performance of the Bank. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function, internal controls; and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder's wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

Corporate Governance (continued)

A Board of Directors (continued)

I Roles and Responsibilities of the Board (continued)

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs independent judgment or their ability to act in the best interest of the Bank and its shareholders.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Bank also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Bank and it provides a structured channel for all employees of the Bank and any other persons providing services to, or having a business relationship with the Bank, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the Bank.

II Board Composition

The Board currently comprises five (5) directors, four (4) of whom are non-executive. Of the non-executive directors, all are independent.

The Bank is guided by BNM CG Policy in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in July 2020, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

Corporate Governance (continued)

A Board of Directors (continued)

III Board Meetings

The Board met eight (8) times during the financial year ended 30 June 2020 ("FYE 2020") with timely notices of issues to be discussed. Details of attendance of each director are as follow:

Director	Attendance
YBhg Dato' Mohzani bin Abdul Wahab	8/8
Mr Tan Kong Khoon	8/8
Mr Yong Yoong Fa	8/8
Encik Musa bin Mahmood	8/8
YM Raja Noorma binti Raja Othman	8/8

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has an interest in the subject matter to be deliberated shall execuse himself from deliberating on the same during the meetings.

IV Directors' Profile

YBHG DATO' MOHZANI BIN ABDUL WAHAB
Chairman/Non-Executive Director/Independent
Age 66, Male, Malaysian

YBhg Dato' Mohzani bin Abdul Wahab graduated with a Bachelor degree in Economics from the University of Malaya.

YBhg Dato' Mohzani has 33 years of service in the Shell Group and has held various senior positions since he joined the Group in 1976. Internationally, he had been responsible for the Shell retail business in various countries. He had served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively, until his retirement at the end of 2009. He had also held various directorships in Shell Group of Companies.

YBhg Dato' Mohzani was appointed to the Board of Directors of HLIB on 23 November 2011. He is presently the Chairman of HLIB and a member of the Board Audit and Risk Management Committee ("BARMC") and the Nomination and Remuneration Committee ("NRC") of HLIB.

YBhg Dato' Mohzani is also an Independent Non-Executive Director ("INED") of Boustead Plantations Berhad, Pavilion REIT Management Sdn Bhd, Merchantrade Asia Sdn Bhd and previously the Chairman on the Investment Panel of Lembaga Tabung Haji. He was previously an INED of Celcom Axiata Berhad, EON Bank Bhd and EONCAP Islamic Bank Berhad.

Corporate Governance (continued)

A Board of Directors (continued)

IV Directors' Profile (continued)

MR TAN KONG KHOON
Executive Director/Non-Independent
Age 62, Male, Singaporean

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advanced Management Program. He is a Chartered Banker of the Asian Institute of Chartered Bankers.

Mr Tan is the President & Chief Executive Officer of Hong Leong Financial Group Berhad ("HLFG"). He was the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB") from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ Bank.

From March 2007 to December 2009, Mr Tan was the President and Chief Executive Officer of Bank of Ayudhya, the fifth largest financial group in Thailand listed on the Thailand Stock Exchange. The group businesses included commercial and investment banking, life and non-life insurance, stock broking, asset management and consumer finance subsidiaries.

Mr Tan was appointed to the Board of Directors of HLIB on 1 January 2017. He is presently the Chairman of the Credit and Underwriting Supervisory Committee ("CUSC") of HLIB.

Mr Tan is the Chairman of Hong Leong Capital Berhad ("HLCB") and a Director of HLFG and HLB, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and a Director of Hong Leong Assurance Berhad, a public company. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of Hong Leong Bank Vietnam Limited.

Corporate Governance (continued)

A Board of Directors (continued)

IV Directors' Profile (continued)

MR YONG YOONG FA
Non-Executive Director/Independent
Age 63, Male, Malaysian

Mr Yong Yoong Fa is a Chartered Accountant by profession. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Mr Yong was in the investment banking and stockbroking industry for more than 20 years in merchant banks and securities firms. He was previously the Chief Executive Officer of Public Merchant Bank Berhad and prior to that, the Chief Operating Officer/Executive Director of Dealing in PB Securities Sdn Bhd. He also held senior positions in Kuala Lumpur City Securities Sdn Bhd, Peninsular Securities Sdn Bhd, Arab-Malaysian Securities Sdn Bhd and Arab-Malaysian Merchant Bank Berhad.

Mr Yong was appointed to the Board of Directors of HLIB on 15 July 2015. He is presently the Chairman of BARMC and a member of the NRC and the CUSC of HLIB.

ENCIK MUSA BIN MAHMOOD
Non-Executive Director/Independent
Age 57, Male, Malaysian

Encik Musa bin Mahmood holds a Master of Business Administration and Bachelor of Science in Accounting from Indiana State University, United States of America.

Encik Musa Mahmood has served 24 years with Securities Commission of Malaysia ("SC") and held the position of Deputy Director of Corporate Finance & Investments Business Group of SC from 2013 until his retirement in August 2017. Prior to that, he has held various senior positions in SC, including General Manager/Head of Corporate Finance, General Manager/Head of Market Development and Deputy General Manager/Head of Primary Market Regulation. During his tenure with SC, he was responsible for various areas of capital market regulation and development, including formulating and reviewing regulatory policies and guidelines for fund raisings and listings, developing and reviewing regulatory frameworks for products and markets, and overseeing the review of applications for corporate proposals and securities offerings.

Prior to joining SC, Encik Musa Mahmood was attached to an investment bank and was involved in the provision of corporate finance and advisory services in relation to various corporate exercises including initial public offerings, fund raisings, corporate restructurings, and acquisitions, takeovers and mergers.

Encik Musa Mahmood was appointed to the Board of Directors of HLIB on 22 March 2018. He is presently the Chairman of the NRC and a member of the BARMC of HLIB.

Corporate Governance (continued)

A Board of Directors (continued)

IV Directors' Profile (continued)

YM RAJA NOORMA BINTI RAJA OTHMAN
Non-Executive Director/Independent
Age 61, Female, Malaysian

YM Raja Noorma Othman holds a Bachelor of Business Administration from Ohio University, United States of America under a twinning programme with MARA Institute of Technology, and is a member of the Malaysian Institute of Accountants.

YM Raja Noorma Othman has more than 30 years of experience in banking, asset management and the corporate sector. Prior to her retirement in December 2018, she was the Head of London Branch of CIMB Bank Berhad ("CIMB London") from 2015 to 2018. She was a Director of Group Asset Management ("GAM") in CIMB Investment Bank Berhad ("CIMB IB") from 2007 to 2015 overseeing the entire Asset Management businesses of CIMB Group. During her term as Head of CIMB London and Director of GAM in CIMB IB, she was also the Chief Executive Officer of CIMB-Mapletree Management Sdn Bhd, an adviser to a privately held real estate fund.

Prior to joining CIMB Group, she was the Vice-President of Investment Banking at JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offerings. She also served in other financial institutions and corporations including Telekom Malaysia Berhad where the last post she held was as Head of Corporate Finance.

YM Raja Noorma Othman was appointed to the Board of Directors of HLIB on 10 May 2019. She is presently a member of the BARMC and the CUSC of HLIB.

YM Raja Noorma Othman is also an INED of HLFG and YTL Corporation Berhad, companies listed on the Main Market of Bursa Securities. Effective from February 2020, she is also an Independent Investment Committee Member of Mapletree Australia Commercial Private Trust (MASCOT), a private equity real estate fund (managed by Mapletree Real Estate Advisors Pte. Ltd. of Singapore) which holds a portfolio of commercial office properties in Australia.

Corporate Governance (continued)

A Board of Directors (continued)

V Directors' Training

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

The Bank regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Bank has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FYE 2020, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Bank also organised an in-house programme for its Directors and senior management.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

Corporate Governance (continued)

A Board of Directors (continued)

V Directors' Training (continued)

During the FYE 2020, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Anti-Money Laundering Training 2019
- Asia School of Business - "9th Series: Creating Jobs In The Post-Covid World"
- Asset-Liability and Risk Management - Regulatory Principles and Market Best Practice
- Bursa Malaysia/Deloitte - 2019 Cyber Security Workshop: "Shifting Towards Cyber Hygiene"
- Financial Institutions Directors' Education ("FIDE") FORUM - Covid-19 and Current Economic Reality: Implications for Financial Stability
- FIDE FORUM - Digital Banking: Why Does It Matter?
- FIDE FORUM - Leadership in A Disruptive World: The Changing Role of Boards
- FIDE FORUM - Outthink The Competition: Excelling in a Post Covid-19 World
- IBFIM - Islamic Jurisprudence and Its Application in Islamic Finance
- ICLIF - Board & Executive Pay During and Post Covid-19
- ICLIF - Cybersecurity & Work-From-Home Security Challenges Amidst Covid-19 Pandemic
- ICLIF - Environmental, Social and Governance (ESG) Trends & Regulatory Developments
- ICLIF - FIDE Core Programme
- Integrated Reporting for Directors of Public Listed Companies
- ISRA Consultancy - Islamic Finance for Board of Directors Programme
- Malaysian Anti-Corruption Commission (Amendment) Act 2018 Section 17A, Adequate Procedure & ISO 37001 : 2016
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- SIDC - Capital Market Director Programme
- Workshop on the Internal Capital Adequacy Assessment Process (ICAAP)
- YTL Leadership Conference 2019

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Bank are overseen by the BARMC.

Composition

The BARMC is chaired by an independent director and comprises:

Mr Yong Yoong Fa	(Chairman, Independent Non-Executive Director)
YBhg Dato' Mohzani bin Abdul Wahab	(Independent Non-Executive Director)
Encik Musa bin Mahmood	(Independent Non-Executive Director)
YM Raja Noorma binti Raja Othman	(Independent Non-Executive Director)

Secretary

The secretary(ies) to the BARMC are the Company Secretary(ies) of the Bank.

Terms of Reference

External Audit

(a) To make recommendations to the Board on the appointment, removal and remuneration of the external auditor.
(b) To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditors.
(c) To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
(d) To review the assistance given by the officers of the Bank to the external auditor.
(e) To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BARMC on significant matters.
(f) To review the report of the external auditor, including any significant matters and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
(g) To review third-party opinions on the design and effectiveness of the Bank's internal control framework.

Financial Reporting

(a) To review the accuracy and adequacy of the Chairman's statement (if any) in the Directors' report, corporate governance disclosures, interim financial reports and annual financial statements.

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee ("BARMC") (continued)

Terms of Reference (continued)

Related Party/Connected Party Transactions

(a) To review and update the Board on any related party transactions that may arise within the Bank.
(b) To review and recommend for Board approval, any credit transactions and exposure with connected parties.
(c) To monitor compliance with the Board's conflict of interest policy.

Internal Audit

(a) To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
(b) To review the adequacy and effectiveness of internal controls and risk management processes.
(c) To review reports and significant findings by Internal Audit Department, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
(d) To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
(e) To support the Board in meeting the expectations on Internal Audit management as set out in Bank Negara Malaysia ("BNM")'s policy document on Guidelines on Internal Audit Function of Licensed Institutions issued on 1 July 2010.
(f) To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes regular review to determine whether the internal audit function has appropriate standing within the Bank to undertake its activities independently and objectively.
(g) To engage privately with the Head of Internal Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
(h) To review the Audit Charter and recommend for Board approval.
(i) To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
(j) To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
(k) To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialised areas.
(l) Other audit functions as may be agreed to by the BARMC and the Board.

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee ("BARMC") (continued)

Terms of Reference (continued)

Risk Management

(a) To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance and IT risks and the risk management process.
(b) To review management's reporting to the Board on measures taken to:
 (i) Identify and examine principal risks faced by the Bank.
 (ii) Implement appropriate systems and internal controls to manage these risks.
(c) To review management's major risk management strategies, policies and risk tolerance for Board's approval.
(d) To review management's overall framework on Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan for Board's approval.
(e) To review management's development and effective implementation of the ICAAP.
(f) To review management's stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
(g) To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
(h) To review the adequacy and effectiveness of management's internal controls and risk management process.
(i) To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
(j) To review risk management function's infrastructure, resources and systems and that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities.
(k) To receive reports from pertinent management committee.
(l) To review management's implementation of risk management as set out in BNM's policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
(m) To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer ("CRO").
(n) To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
(o) To review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
(p) Other risk management functions as may be agreed to by the BARMC and the Board.

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee ("BARMC") (continued)

Compliance

(a) To assist the Board in the oversight of the management of compliance risk by:
   (i) reviewing compliance policies and overseeing management's implementation of the same;
   (ii) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer/Head of Compliance ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
   (iii) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
   (iv) reviewing annually the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the CCO; and
   (v) updating the Board on all significant compliance matters, including providing its views on (i) to (iv) above.
(b) In relation to the role of the CCO, support the Board in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:-
   (i) reviewing and advising on the appointment, remuneration, removal and redeployment of the CCO;
   (ii) ensuring that CCO has sufficient stature to allow for effective engagement with the Chief Executive Officer ("CEO") and other members of senior management;
   (iii) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
   (iv) ensuring that the CCO is supported with sufficient resources to perform his duties effectively; and
   (v) where CCO also carries out responsibilities in respect of other control functions, the BARMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
(c) Other compliance functions as may be agreed to by the BARMC and the Board.

Authority

The BARMC is authorised by the Board to review any activity of the Bank within its terms of reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee ("BARMC") (continued)

Meetings

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The Group Managing Director, Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit, Chief Financial Officer, other senior management and external auditors may be invited to attend the BARMC meetings, whenever required.

At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of Executive Directors and management.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. A BARMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BARMC meeting where the material transaction or material arrangement is being deliberated by the BARMC.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

Activities

The BARMC carried out its duties in accordance with its terms of reference.

During the financial year ended 30 June 2020, eight (8) BARMC meetings were held and the attendance of the Members was as follows:-

Member	Attendance
Mr Yong Yoong Fa	8/8
YBhg Dato' Mohzani bin Abdul Wahab	8/8
Encik Musa bin Mahmood	8/8
YM Raja Noorma binti Raja Othman	7/7

YM Raja Noorma binti Raja Othman was appointed as BARMC Member of the Bank with effect from 30 July 2019. There were seven (7) BARMC Meetings held since her appointment.

Corporate Governance (continued)

A Board of Directors (continued)

VI Board Audit and Risk Management Committee (“BARMC”) (continued)

Activities (continued)

The BARMC reviewed the quarterly reports and annual financial statements of the Bank. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, examined pertinent issues which had significant impact on the results of the Bank and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditors' audit findings and recommendations as well as Bank Negara Malaysia's Examination Reports on the Bank.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the process put in place to identify, evaluate and manage the significant risks encountered by the Bank.

The BARMC reviewed various related party transactions carried out by the Bank.

VII Nomination and Remuneration Committee (“NRC”)

Composition

The NRC is chaired by an independent director and comprises:

Encik Musa bin Mahmood	(Chairman, Independent Non-Executive Director)
Mr Yong Yoong Fa	(Independent Non-Executive Director)
YBhg Dato' Mohzani bin Abdul Wahab	(Independent Non-Executive Director)

Secretary(ies)

The Secretaries of the Bank or such other person as nominated by the Board will be the Secretary(ies) of the NRC.

Corporate Governance (continued)

A Board of Directors (continued)

VII Nomination and Remuneration Committee ("NRC") (continued)

Responsibilities

The nomination responsibilities of NRC are as follows:

(a) Support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary(ies):
- (i) appointments and removals;
- (ii) composition;
- (iii) performance evaluation and development; and
- (iv) fit and proper assessments.

(b) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of Chief Executive Officer.

(c) Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the Chief Executive Officer.

(d) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.

(e) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.

(f) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.

(g) Ensure that the Board receives an appropriate continuous training programme.

The remuneration responsibilities of NRC are as follows:

(a) Recommend to the Board the framework and policies governing the remuneration of the:
- Directors;
- Chief Executive Officer;
- Senior management officers; and
- Other material risk takers.

(b) Review and recommend to the Board for approval the specific remuneration packages of executive directors and the Chief Executive Officer.

(c) Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.

Corporate Governance (continued)

A Board of Directors (continued)

VII Nomination and Remuneration Committee ("NRC") (continued)

During the financial year ended 30 June 2020, two (2) NRC meetings were held and the attendance of the members was as follows:

Member	Attendance
Encik Musa bin Mahmood	1/1
Mr Yong Yoong Fa	2/2
YBhg Dato' Mohzani bin Abdul Wahab	2/2

Encik Musa bin Mahmood was appointed as the Chairman of NRC of the Bank with effect from 30 July 2019. There was only one (1) NRC Meeting held since his appointment.

The NRC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NRC also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholder of the Bank at its AGM.

Remuneration policy

The remuneration framework of HLIB is supported by a rigorous and robust performance management process that promotes pay-for-performance and incorporates risk and compliance management as part of the key performance indicators for remuneration decisions. This is to ensure excessive risk-taking behaviour of staff is minimised and sufficient control mechanisms are in place.

The remuneration policy has been reviewed by the NRC and approved by the Board for implementation across all levels of staff in HLIB including Senior Officers and Other Material Risk Takers who are defined in the BNM Policy Document on Fit and Proper Criteria and Corporate Governance respectively.

Corporate Governance (continued)

A Board of Directors (continued)

VII Nomination and Remuneration Committee ("NRC") (continued)

Remuneration policy (continued)

HLIB's remuneration framework is guided by three (3) key principles:

(i) Principle 1 - Oversight by NRC & BOD
The NRC ensures that the remuneration system promotes prudent risk taking behaviour and long-term sustainability, and is guided by input from the BARMC to ensure that risk exposure and risk outcomes are adequately considered.

(ii) Principle 2 - Prudent Risk Taking
Remuneration for employees within HLIB must be aligned with prudent risk-taking. As such, remuneration is adjusted to account for all types of risk and must be determined by both quantitative measures and qualitative judgement.

(iii) Principle 3 - Governance Process for Bonus, Increment and Promotion ("BIP")
HLIB has established the BIP process that includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of Senior Officers and Other Material Risk Takers are reviewed and approved by the NRC and the Board annually.

The remuneration framework provides a balanced approach between fixed and variable components. Fixed pay refers to base salary and other fixed allowances that are determined based on competency level, skills, experience, performance and market competitive levels; while variable pay refers to cash bonus and incentive that are determined based on overall HLIB's performance, line of business and individual performance which are measured against Key Result Areas ("KRAs") agreed at the beginning of each financial year.

HLIB adopts a rigorous and robust process for setting key performance indicators that incorporates compliance management as part of the KRAs for all departments. Remuneration of each individual is then formulated based on HLIB's performance, the department's performance and individual contribution. In addition, the performance and remuneration of control functions will be measured and assessed principally based on achievement of their control objectives.

To align payout to time horizon of risk and avoid excessive risk taking behavior of staff, variable remuneration payout is subject to deferral, clawback and malus. Deferred awards are also designed to retain key employees and drive HLIB's long-term performance and sustainability. Clawback and malus will be triggered when there is reasonable evidence that the staff has materially been responsible/ contributed to any misconduct, misstatement, material risks exposure, fraud, and regulatory or internal policy breaches.

Corporate Governance (continued)

A Board of Directors (continued)

VII Nomination and Remuneration Committee ("NRC") (continued)

Remuneration policy (continued)

The remuneration of GMD/CEO, Senior Management and other Material Risk Takers for FYE 2020 is shown in the table below:

Total value of remuneration awards for FYE 2020	GMD/CEO (Headcount: 1)		Senior Management and other Material Risk Takers (Headcount: 26)	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
Fixed Remuneration				
· Cash-based	1,584,785	-	9,795,849	-
· Shares and share-linked instruments	-	-	-	-
· Other	-	-	-	-
Variable Remuneration				
· Cash-based	1,639,780	409,944	3,710,793	216,021
· Shares and share-linked instruments	-	-	-	-
· Other	-	-	-	-

VIII Directors' remuneration

Details of Directors' remuneration are set out in Note 34 to the financial statements.

B Independence

The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the Fit and Proper Policy of the Bank. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon the completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

Corporate Governance (continued)

C Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. When appropriate, discussion are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow amongst the Board, Board Committees and Senior Management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

D Accountability and Audit

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Bank. Investigation will be made at the request of the Board and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Board meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Bank. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

Corporate Governance (continued)

D Accountability and Audit (continued)

II Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC to the Board, which determines the remuneration of the external auditors. During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors met with the BARMC Members twice a year without the presence of executive directors and the management.

E Risk Management

I Overview

The risk management functions of the Bank are undertaken by the Risk Management Department, which reports to the BARMC of the Bank.

The Board oversees the implementation of the risk management framework of the Bank. In discharging this responsibility, the Board ensures that the Bank has in place their respective risk management policies, methodologies and control limits for management of key areas of risks i.e. credit, market, liquidity and operational risks. The Board provides oversight on the proper functioning of risk management framework of the Bank by undertaking periodic review of their risk management processes to the extent permissible under the regulatory framework of the Bank and is also given assurance at these reviews on the adequacy and integrity of the system of internal controls. In discharging this oversight role, the Board is assisted by the Risk Management Department, Internal Audit Department, the Bank's Compliance Officer and the Head of Finance.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud. Refer to Note 46 for further details.

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to be realised at their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
- which would render the values attributed to current assets in the financial statements misleading; and
- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Bank for the financial year ended 30 June 2020 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

Holding and ultimate holding companies

The immediate holding and ultimate holding companies are HLCB and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLCB is listed on the Main Market of Bursa Malaysia Securities Berhad.

Subsidiaries

Details of subsidiaries are set out in Note 13 to the financial statements.

Auditors' remuneration

Details of auditors’ remuneration and the indemnity given/insurance effected for the auditor are set out in Note 31 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 11 September 2020.

Dato' Mohzani bin Abdul Wahab	**Tan Kong Khoon**
Director	**Director**

Kuala Lumpur
11 September 2020

Hong Leong Investment Bank Berhad
Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

Statements of Financial Position as at 30 June 2020

		The Group		The Bank	
		30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	**4**	**272,603**	450,062	**271,013**	443,459
Clients' and brokers' balances	**5**	**236,008**	196,362	**236,008**	196,362
Securities purchased under resale agreements		**50,172**	-	**50,172**	-
Financial assets at fair value through profit or loss ("FVTPL")	**6**	**651,672**	1,246,572	**651,584**	1,246,208
Financial investments at fair value through other comprehensive income ("FVOCI")	**7**	**1,266,529**	1,110,915	**1,266,529**	1,110,915
Financial investments at amortised cost	**8**	**868,134**	735,665	**868,134**	735,665
Loans and advances	**9**	**316,023**	205,290	**316,023**	205,290
Other assets	**10**	**37,667**	47,472	**37,660**	47,459
Derivative financial assets	**23**	**54,957**	28,310	**54,957**	28,310
Statutory deposits with Bank Negara Malaysia	**11**	**-**	37,259	**-**	37,259
Deferred tax assets	**12**	**85,925**	80,926	**85,925**	80,926
Investment in subsidiary companies	**13**	**-**	-	**200**	200
Property and equipment	**15**	**9,267**	12,774	**9,267**	12,774
Right-of-use ("ROU") assets	**16**	**19,486**	-	**19,486**	-
Other intangible assets	**17**	**2,394**	2,143	**2,394**	2,143
Goodwill	**18**	**28,986**	28,986	**28,986**	28,986
Total assets		**3,899,823**	4,182,736	**3,898,338**	4,175,956
Liabilities					
Clients’ and brokers’ balances		**218,257**	183,123	**218,257**	183,123
Deposits from customers	**19**	**737,747**	748,004	**737,747**	748,004
Deposits and placements of banks and other financial institutions	**20**	**2,073,211**	2,422,120	**2,073,211**	2,422,120
Lease liabilities	**21**	**18,184**	-	**18,184**	-
Other liabilities	**22**	**116,341**	134,126	**114,938**	127,624
Derivative financial liabilities	**23**	**81,620**	34,310	**81,620**	34,310
Provision for tax		**7**	8	**-**	-
Subordinated obligations	**24**	**100,178**	150,505	**100,178**	150,505
Total liabilities		**3,345,545**	3,672,196	**3,344,135**	3,665,686
Equity					
Share capital	**25**	**252,950**	252,950	**252,950**	252,950
Reserves	**27**	**301,328**	257,590	**301,253**	257,320
Total equity		**554,278**	510,540	**554,203**	510,270
Total equity and liabilities		**3,899,823**	4,182,736	**3,898,338**	4,175,956
Commitments and contingencies	**39**	**6,967,399**	11,469,676	**6,967,399**	11,469,676

Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)
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Income Statements
for the financial year ended 30 June 2020

		The Group		The Bank	
		30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	**28a**	**110,585**	114,484	**110,516**	114,397
Interest income for financial assets at FVTPL	**28b**	**39,188**	48,190	**39,188**	48,190
Interest expense	**29**	**(104,256)**	(121,326)	**(104,256)**	(121,326)
Net interest income		**45,517**	41,348	**45,448**	41,261
Non-interest income	**30**	**124,375**	97,429	**124,459**	97,240
		169,892	138,777	**169,907**	138,501
Overhead expenses	**31**	**(102,957)**	(90,945)	**(102,789)**	(90,729)
Operating profit before allowances		**66,935**	47,832	**67,118**	47,772
Allowance for impairment losses on loans and advances	**32**	**(280)**	(170)	**(280)**	(170)
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	**33**	**(1,931)**	379	**(1,931)**	379
Profit before taxation		**64,724**	48,041	**64,907**	47,981
Taxation	**35**	**5,416**	(3,662)	**5,428**	(3,643)
Net profit for the financial year		**70,140**	44,379	**70,335**	44,338
Earnings per share (sen)					
- Basic	**36**	**42.5**	26.9	**42.6**	26.9
- Diluted	**36**	**42.5**	26.9	**42.6**	26.9

Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)
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Statements of Comprehensive Income
for the financial year ended 30 June 2020

		The Group		The Bank	
		30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Net profit for the financial year		**70,140**	44,379	**70,335**	44,338
Other comprehensive income/(expense):					
Items that will not be reclassified subsequently to income statements:					
Equity instruments at FVOCI					
- Net gain on disposal		**43**	-	**43**	-
Items that will be reclassified subsequently to income statements:					
Debt instruments at FVOCI					
- Net fair value changes		**8,716**	11,713	**8,716**	11,713
- Net (loss)/gain on disposal		**(6,930)**	455	**(6,930)**	455
- Net changes in expected credit losses		**198**	(62)	**198**	(62)
Income tax relating to net fair value changes on financial investments at FVOCI	**12**	**(429)**	(2,921)	**(429)**	(2,921)
Other comprehensive income for the financial year, net of tax		**1,598**	9,185	**1,598**	9,185
Total comprehensive income for the financial year, net of tax		**71,738**	53,564	**71,933**	53,523

Hong Leong Investment Bank Berhad

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Statements of changes in equity for the financial year ended 30 June 2020

The Group	Note	Attributable to owner of the parent Share capital RM'000	 Regulatory reserve RM'000	 Fair value reserve RM'000	 Retained profits RM'000	 Total RM'000
At 1 July 2019		**252,950**	**11,606**	**7,794**	**238,190**	**510,540**
Net profit for the financial year		**-**	**-**	**-**	**70,140**	**70,140**
Other comprehensive income, net of tax		**-**	**-**	**1,555**	**43**	**1,598**
Total comprehensive income for the financial year		**-**	**-**	**1,555**	**70,183**	**71,738**
Transfer from regulatory reserve	**27**	**-**	**470**	**-**	**(470)**	**-**
Dividend paid	**38**	**-**	**-**	**-**	**(28,000)**	**(28,000)**
At 30 June 2020		**252,950**	**12,076**	**9,349**	**279,903**	**554,278**

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Statements of changes in equity for the financial year ended 30 June 2020 (continued)

		Attributable to owner of the parent				
The Group	**Note**	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2018		252,950	12,743	(1,391)	238,174	502,476
Net profit for the financial year		-	-	-	44,379	44,379
Other comprehensive income, net of tax		-	-	9,185	-	9,185
Total comprehensive income for the financial year		-	-	9,185	44,379	53,564
Transfer from regulatory reserve	**27**	-	(1,137)	-	1,137	-
Dividend paid	**38**	-	-	-	(45,500)	(45,500)
At 30 June 2019		252,950	11,606	7,794	238,190	510,540

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Statements of changes in equity for the financial year ended 30 June 2020 (continued)

		Non-distributable			Distributable	
The Bank	**Note**	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2019		**252,950**	**11,606**	**7,794**	**237,920**	**510,270**
Net profit for the financial year		**-**	**-**	**-**	**70,335**	**70,335**
Other comprehensive income, net of tax		**-**	**-**	**1,555**	**43**	**1,598**
Total comprehensive income for the financial year		**-**	**-**	**1,555**	**70,378**	**71,933**
Transfer to regulatory reserve	**27**	**-**	**470**	**-**	**(470)**	**-**
Dividend paid	**38**	**-**	**-**	**-**	**(28,000)**	**(28,000)**
At 30 June 2020		**252,950**	**12,076**	**9,349**	**279,828**	**554,203**

Hong Leong Investment Bank Berhad
Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2020 (continued)

		Non-distributable			Distributable	
The Bank	**Note**	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2018		252,950	12,743	(1,391)	237,945	502,247
Net profit for the financial year		-	-	-	44,338	44,338
Other comprehensive income, net of tax		-	-	9,185	-	9,185
Total comprehensive income for the financial year		-	-	9,185	44,338	53,523
Transfer from regulatory reserve	**27**	-	(1,137)	-	1,137	-
Dividend paid	**38**	-	-	-	(45,500)	(45,500)
At 30 June 2019		252,950	11,606	7,794	237,920	510,270

Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)
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Statements of cash flows for the financial year ended 30 June 2020

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation	**64,724**	48,041	**64,907**	47,981
Adjustments for:				
Depreciation of property and equipment	**2,653**	2,646	**2,653**	2,646
Depreciation of ROU assets	**3,436**	-	**3,436**	-
Amortisation of intangible assets	**1,327**	2,288	**1,327**	2,288
Gain on disposal of property and equipment	**-**	(29)	**-**	(29)
Property and equipment written off	**-**	942	**-**	942
Allowance for impairment losses on loans and advances	**280**	170	**280**	170
Allowance for/(write-back of) impairment losses on financial investments and other financial assets	**2,041**	(328)	**2,041**	(328)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL	**133**	(6,420)	**132**	(6,420)
Net unrealised loss/(gain) on revaluation of derivative financial instruments	**17,758**	(9,790)	**17,758**	(9,790)
Net unrealised loss on fair value changes arising from fair value hedges	**558**	-	**558**	-
Interest income:				
- Financial assets at FVTPL	**(39,188)**	(48,190)	**(39,188)**	(48,190)
- Financial investments at FVOCI	**(40,309)**	(55,905)	**(40,309)**	(55,905)
- Financial investments at amortised cost	**(29,261)**	(27,058)	**(29,261)**	(27,058)
Interest expense:				
- Derivative financial instruments	**18,655**	8,376	**18,655**	8,376
- Subordinated obligations	**5,262**	2,867	**5,262**	2,867
- Lease liabilities	**950**	-	**950**	-
Dividend income from:				
- Financial assets at FVTPL	**(1,523)**	(1,940)	**(1,515)**	(1,929)
- Subsidiary companies	**-**	-	**(300)**	-
	(57,228)	(132,371)	**(57,521)**	(132,360)
Operating profit/(loss) before working capital changes	**7,496**	(84,330)	**7,386**	(84,379)
(Increase)/Decrease in operating assets				
Clients' and brokers' balances	**(41,452)**	116,216	**(41,452)**	116,216
Securities purchased under resale agreements	**(50,172)**	35,126	**(50,172)**	35,126
Deposits and placements with banks and other financial institutions with original maturity of more than three	**-**	40,645	**-**	40,645
Financial assets at FVTPL	**590,359**	41,649	**590,084**	41,720
Loans and advances	**(111,013)**	19,891	**(111,013)**	19,891
Other assets	**9,754**	(18,281)	**9,748**	(18,268)
Derivative financial assets	**209**	(196)	**209**	(196)
Statutory deposits with Bank Negara Malaysia	**37,259**	15,241	**37,259**	15,241

Hong Leong Investment Bank Berhad
Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

Statements of cash flows for the financial year ended 30 June 2020 (continued)

		The Group		The Bank	
		30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Increase/(Decrease) in operating liabilities					
Clients' and brokers' balances		**35,134**	(106,388)	**35,134**	(106,388)
Deposits from customers		**(10,257)**	(334,652)	**(10,257)**	(334,652)
Deposits and placements of banks and other financial institutions		**(348,909)**	363,160	**(348,909)**	363,160
Obligations on securities sold under repurchase agreements		**-**	(99,654)	**-**	(99,654)
Other liabilities		**(18,153)**	58,849	**(13,054)**	52,318
Cash generated from operating activities		**100,255**	47,276	**104,963**	40,780
Income tax paid		**(13)**	(14)	**-**	-
Net cash generated from operating activities		**100,242**	47,262	**104,963**	40,780
Cash flows from investing activities					
Net (purchase)/disposal of financial investments at FVOCI		**(151,629)**	246,101	**(151,629)**	246,101
Net purchases of financial investments at amortised cost		**(131,090)**	(67,666)	**(131,090)**	(67,666)
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives		**109,732**	127,533	**109,732**	127,533
Interest expense paid for derivative financial instruments		**(16,597)**	(7,630)	**(16,597)**	(7,630)
Dividends from financial assets at FVTPL and subsidiary companies		**1,523**	1,940	**1,815**	1,929
Proceeds from disposal of property and equipment		**-**	29	**-**	29
Purchase of intangible assets		**(1,578)**	(1,745)	**(1,578)**	(1,745)
Purchase of property and equipment		**(575)**	(3,577)	**(575)**	(3,577)
Net cash (used in)/generated from investing activities		**(190,214)**	294,985	**(189,922)**	294,974
Cash flows from financing activities					
Interest paid on subordinated obligations		**(5,589)**	(2,643)	**(5,589)**	(2,643)
Proceeds from issuance of subordinated obligations		**-**	99,991	**-**	99,991
Repayment of subordinated obligations		**(50,000)**	-	**(50,000)**	-
Dividend paid		**(28,000)**	(45,500)	**(28,000)**	(45,500)
Lease payments		**(3,898)**	-	**(3,898)**	-
Net cash (used in)/generated from financing activities		**(87,487)**	51,848	**(87,487)**	51,848
Net (decrease)/increase in cash and cash equivalents		**(177,459)**	394,095	**(172,446)**	387,602
Cash and cash equivalents at beginning of financial year		**450,062**	55,967	**443,459**	55,857
Cash and cash equivalents at end of financial year		**272,603**	450,062	**271,013**	443,459
Cash and cash equivalents comprise:					
Cash and short-term funds	4	**272,603**	450,062	**271,013**	443,459

Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

Statements of cash flows for the financial year ended 30 June 2020 (continued)

Analysis of changes in liabilities arising from financing activities as follows:

The Group and the Bank	Balance at the beginning of the financial year RM'000	Proceeds from issuance RM'000	Repayment from redemption RM'000	Interest paid RM'000	Accrued interest RM'000	Amortisation RM'000	Balance at the end of the financial year RM'000
		← Cash changes		→	← Non-cash changes →		
30.06.2020							
Subordinated obligations	**150,505**	**-**	**(50,000)**	**(5,589)**	**5,171**	**91**	**100,178**
30.06.2019							
Subordinated obligations	50,290	99,991	-	(2,643)	2,847	20	150,505

Summary of Significant Accounting Policies for the financial year ended 30 June 2020

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 Basis of preparation of the financial statements

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments at FVOCI and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank'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. The area involving higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements includes the following:

<u>Deferred tax asset</u> (Note 12)

Deferred tax assets are recognised for unutilised tax credits to the extent that it is probable that future taxable profits will be available against which the tax credits can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability and level of future taxable profits. Management assesses the probability of future taxable profit based on the profit projections approved by Directors covering three year period. Management has also considered the estimated growth rate in the capital markets and Kuala Lumpur Composite Index ("KLCI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 3.6% (2019: 4.7%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for the fourth year and onwards.

(a) Standards, amendments and improvements to published standards that are applicable to the Group and the Bank and are effective

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group has adopted MFRS 16 for the first time in the 30 June 2020 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 49. Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020 (continued)

1 Basis of preparation of the financial statements (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2020. None of these is expected to have a significant effect on the financial statements of the Group and the Bank, except the following:

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

None of these is expected to have a significant effect on the financial statements of the Group and the Bank.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020 (continued)

2 Summary of significant accounting policies

A Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared in the same reporting date as the Bank.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained profits. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred and the corresponding amounts for the previous year are also not restated.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in income statements.

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(i) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(iv) Investment in subsidiaries

In the Bank's separate financial statements, the investment in subsidiaries is stated at cost less accumulated impairment losses. At each reporting date, the Bank assesses whether there is an indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statements.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income statements.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in subsidiaries.

B Recognition of interest income

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the income statements using the effective interest method. Interest financial assets at FVTPL is disclosed as separate line item in income statements.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank take into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets,the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 Summary of significant accounting policies (continued)

C Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from financial assets at FVTPL, financial investments at FVOCI and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets at FVTPL and financial investments at FVOCI are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.

Corporate advisory fees are recognised as income after fullfilling each of the performance obligation.

Commission from futures clients is recognised upon execution of trade on behalf of clients.

D Financial assets

(i) Classification

The Group and the Bank classify its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost

The Group and the Bank reclassify debt investments when and only when its business model for managing those financial assets changes.

The Group and the Bank do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

<u>Business model assessment</u>
The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(i) Classification (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")
Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Bank commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in to which the Group and the Bank classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss as presented in net realised gain/(loss) on financial instruments (as per Note 30) and impairment losses are presented as separate line item (as per Note 33) in the income statements.

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

(b) FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net realised gain/(loss) on financial instruments. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the income statements.

(c) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within net unrealised gain/(loss) on revaluation in the period which it arises.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to profit or loss, but may be transferred within equity. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in net gain/(loss) on revaluation in the income statements.

(iv) Reclassification

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(v) Modification of financial assets

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

2 Summary of significant accounting policies (continued)

F Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between the present value of cash flows according to contract and present value of cash flows the Group and the Bank expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group and the Bank measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. The Group and the Bank apply 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group and the Bank apply MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for clients and brokers' balances and other assets.

Significant increase in credit risk

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition.

When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and assessments based on the Group's and the Bank's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1-month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

Definition of default and credit-impaired financial assets

The definition of credit-impaired of the Group and the Bank remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group and the Bank assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Bank will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

Measurement of ECL

ECL are measured using three main components, which include probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD"). These components are derived from either published information from External Credit Assessment Institutions ("ECAI") or proxy to the internally developed statistical models from the related company, Hong Leong Bank Berhad and adjusted to reflect forward-looking information.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on the conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effects of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward looking information

The Group and the Bank incorporates forward looking macroeconomic ("MEV") which consists of economic indicators and industry statistics in the measurement of ECL. This involves incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios. No MEV is incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

Forward looking information (continued)

The Group and the Bank apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

Best and worst case: This represent the 'upside' and 'downside' outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

G Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2 Summary of significant accounting policies (continued)

I Clients' and brokers' balances

In accordance with the Rules of Bursa Malaysia Securities Berhad, clients' accounts are classified as impaired accounts (previously referred to as as non-performing) under the following circumstances:

Types	Criteria for classification as impaired
Contra losses	When account remains outstanding for more than 16 calendar days from the date of contra transaction.
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written-off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

J Property and equipment and depreciation

Freehold land is not depreciated as it has an infinite life. Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes its purchase price and any cost that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statements during the financial year in which they are incurred.

Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	50 years
Office and computer equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Renovations	5 - 10 years
Motor vehicles	4 - 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statements. Refer to Note M on the impairment of non-financial assets.

2 Summary of significant accounting policies (continued)

J Property and equipment and depreciation (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in “non-interest income” in income statements.

K Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Computer software classified as intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any.

(b) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in income statements.

Goodwill is allocated to cash-generating units (“CGU”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is stated at cost less accumulated impairment loss and is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (continued)

L Lease

Accounting policies applied by lessee from 1 July 2019

From 1 July 2019, leases are recognised as ROU assets and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ('ROU') assets

ROU assets are initially measured at cost comprising the following:-

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank is reasonably certain to exercise a purchase option, the ROU assets is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:-

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments depend on index or rate;
- The exercise price of a purchase options if the Group and the Bank are reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option; and
- The amount expected to be payable by the Group and the Bank under residual value guarantees.

2 Summary of significant accounting policies (continued)

L Lease (continued)

Accounting policies applied by lessee from 1 July 2019 (continued)

Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the interest expense in the income statements.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in the income statements.

Accounting policies applied until 30 June 2019

(a) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to income statements.

(b) Operating lease

Leases of assets under which the significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statements on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2 Summary of significant accounting policies (continued)

M Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

N Income taxes

Tax expense for the period comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statements, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 Summary of significant accounting policies (continued)

N Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax related to fair value re-measurement of financial investments at FVOCI, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

O Currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's and the Bank’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group’s presentation currency and the Bank’s functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statements, and other changes in the carrying amount are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

O Currency translations (continued)

(b) Foreign currency transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at FVOCI are included in other comprehensive income.

P Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise the fair value of derivatives in income statements immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

2 Summary of significant accounting policies (continued)

P Derivative financial instruments and hedging (continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

Q Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (fund) on mandatory, contractual or voluntary basis and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (fund) on mandatory, contractual or voluntary basis and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and the Bank contribute to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

2 Summary of significant accounting policies (continued)

Q Employee benefits (continued)

Share-based compensation

The Bank operates a cash-settled, share-based compensation plan under which the Bank receives services from employees as consideration for equity instruments (share options) of the parent. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statements over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Bank measure the fair value of the liability and at the date of settlement, with any changes in fair value recognised in income statement. The Group and the Bank revise its estimate of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statements, with a corresponding adjustment to liability.

A trust has been set up for the Employee Share Option Scheme (“ESOS”) and is administered by an appointed trustee.

R Provision

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of management’s best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

S Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

T Cash and cash equivalents

Cash and cash equivalents are cash and short-terms funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of three months or less.

U Share capital

(a) Classification

Ordinary shares and redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are deducted against equity.

2 Summary of significant accounting policies (continued)

U Share capital (continued)

(c) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

V Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

W Contingent assets and liabilities

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combination, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Summary of Significant Accounting Policies for the financial year ended 30 June 2020 (continued)

2 Summary of significant accounting policies (continued)

X Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statements within interest expense.

Where the terms of a financial liability are renegotiated and the Bank issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in income statements, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

All other borrowing costs are recognised in income statements in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

Y Transaction with owners

Transaction with owners in their capacity as owners are recognised in statements of changes in equity and are presented separately from non-owner changes in equity.

Z Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 General information

The principal activities of the Bank are investment banking, stockbroking business, futures broking and related financial services.

The principal activities of the subsidiary companies are stated in Note 13 to the financial statements.

The immediate holding and ultimate holding companies are HLCB and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLCB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Bank is Level 30, Menara Hong Leong, No 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

4 Cash and short-term funds

	The Group		**The Bank**	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances with banks and other financial institutions	**83,905**	82,160	**82,315**	75,557
Money at call and deposit placements maturing within one month	**188,698**	367,902	**188,698**	367,902
	272,603	450,062	**271,013**	443,459

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,465,000 (30.06.2019: RM13,011,000).

5 Clients' and brokers' balances

Clients’ and brokers’ balances represent amounts receivable from outstanding purchase contracts in respect of the Group and the Bank’s stockbroking business entered on behalf of clients, amounts due from brokers and contra losses.

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Performing accounts	**234,383**	195,980
Impaired accounts	**3,651**	602
	238,034	196,582
Allowance for impairment losses:		
- expected credit losses	**(2,026)**	(220)
	236,008	196,362

5 Clients' and brokers' balances (continued)

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Movements of impaired accounts are as follows:		
At 1 July	**602**	2,828
New financial assets originated	**358**	181
Financial assets derecognised	**(331)**	(184)
Impaired during the financial year	**7,126**	16,323
Amount written-back during the financial year	**(4,104)**	(18,536)
Amount written-off during the financial year	**-**	(10)
At 30 June	**3,651**	602

Movements in the allowance for losses on clients' and brokers' balances are as follows:

Expected credit losses

The Group and the Bank	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total ECL RM'000**
At 1 July 2019	**4**	**216**	**220**
New financial assets originated	**113**	**391**	**504**
Financial assets derecognised	**(130)**	**(338)**	**(468)**
Allowance made	**49**	**2,247**	**2,296**
Allowance written-back	**(6)**	**(520)**	**(526)**
At 30 June 2020	**30**	**1,996**	**2,026**
At 1 July 2018	28	351	379
New financial assets originated	78	47	125
Financial assets derecognised	(104)	(117)	(221)
Allowance made	33	548	581
Allowance written-back	(31)	(603)	(634)
Allowance written-off	-	(10)	(10)
At 30 June 2019	4	216	220

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

6 Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Money market instruments				
Malaysian Government Securities	**-**	20,806	**-**	20,806
Negotiable instruments of deposits	**588,325**	991,171	**588,325**	991,171
Cagamas bonds	**-**	5,017	**-**	5,017
	588,325	1,016,994	**588,325**	1,016,994
Quoted securities				
In Malaysia:				
Shares	**18,033**	36,340	**18,033**	36,340
Unit trust investment	**88**	364	**-**	-
	18,121	36,704	**18,033**	36,340
Unquoted securities				
Shares	**1,432**	1,365	**1,432**	1,365
Corporate bond and/or sukuk	**43,794**	191,509	**43,794**	191,509
	45,226	192,874	**45,226**	192,874
	651,672	1,246,572	**651,584**	1,246,208

7 Financial investments at fair value through other comprehensive income ("FVOCI")

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	**41,229**	235,724
Malaysian Government Investment Issues	**52,982**	31,073
Cagamas bonds	**30,358**	56,022
	124,569	322,819
Unquoted securities		
Foreign currency bonds	**72,260**	111,351
Corporate bond and/or sukuk	**1,069,700**	676,745
	1,141,960	788,096
	1,266,529	1,110,915

7 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statements of financial position.

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	**143**	-	-	**143**
Allowances made	**7**	-	-	**7**
Amount written back	**(25)**	-	-	**(25)**
New financial assets originated or purchased	**347**	-	-	**347**
Financial assets derecognised	**(98)**	-	-	**(98)**
Exchange differences	**(33)**	-	-	**(33)**
At 30 June 2020	**341**	-	-	**341**
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	143	-	-	143

8 Financial investments at amortised cost

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	**291,869**	157,905
Malaysian Government Investment Issues	**534,018**	478,451
	825,887	636,356
Unquoted securities		
Foreign currency bonds	**16,964**	53,810
Corporate bond and/or sukuk	**25,298**	45,535
	42,262	99,345
	868,149	735,701
Less: Expected credit losses	**(15)**	(36)
	868,134	735,665

The Group and the Bank	**12 Months ECL (Stage 1) RM'000**	**Lifetime ECL not credit impaired (Stage 2) RM'000**	**Lifetime ECL credit impaired (Stage 3) RM'000**	**Total ECL RM'000**
At 1 July 2019	**36**	-	-	**36**
Financial assets derecognised	**(22)**	-	-	**(22)**
Exchange differences	**1**	-	-	**1**
At 30 June 2020	**15**	-	-	**15**
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	36	-	-	36

9 Loans and advances

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Term loan financing	**93,935**	19,862
Share margin financing	**225,398**	188,217
Staff loans	**44**	51
Other loans	**281**	515
Gross loans and advances	**319,658**	208,645
Less: Expected credit losses	**(3,635)**	(3,355)
Total net loans and advances	**316,023**	205,290

(i) The maturity structure of loans and advances is as follows:

Maturing within one year	**265,733**	202,210
One year to three years	**48,006**	6,384
Three years to five years	**44**	-
Over five years	**5,875**	51
Gross loans and advances	**319,658**	208,645

(ii) The loans and advances are disbursed to the following type of customers:

Domestic business enterprises		
- small and medium enterprises	**57,941**	509
- others	**124,759**	71,282
Individuals	**133,221**	128,253
Foreign entities	**3,737**	8,601
Gross loans and advances	**319,658**	208,645

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

Variable rate	**319,333**	208,079
Fixed rate		
- staff housing loans	**44**	51
- other fixed rate loans	**281**	515
Gross loans and advances	**319,658**	208,645

(iv) Loans and advances analysed by their economic purposes are as follows:

Purchase of securities	**265,451**	201,696
Purchase of transport vehicles	**126**	126
Purchase of landed properties	**199**	439
Working capital	**53,882**	6,384
Gross loans and advances	**319,658**	208,645

9 Loans and advances (continued)

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
(v) Loans and advances analysed by geographical distribution are as follows:		
Malaysia	**319,658**	208,645

(vi) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group and the Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2019	**200,212**	**1,535**	**6,898**	**208,645**
Transferred to Stage 1	**9,404**	**(9,404)**	**-**	**-**
Transferred to Stage 2	**(14,762)**	**14,762**	**-**	**-**
Transferred to Stage 3	**(27,748)**	**-**	**27,748**	**-**
New financial assets originated	**355,165**	**2,418**	**6,318**	**363,901**
Financial assets derecognised	**(212,749)**	**(5,697)**	**(34,442)**	**(252,888)**
At 30 June 2020	**309,522**	**3,614**	**6,522**	**319,658**
At 1 July 2018	214,339	7,324	6,873	228,536
Transferred to Stage 1	24,342	(24,342)	-	-
Transferred to Stage 2	(19,849)	19,849	-	-
New financial assets originated	144,316	2,997	25	147,338
Financial assets derecognised	(162,936)	(4,293)	-	(167,229)
At 30 June 2019	200,212	1,535	6,898	208,645

(vii) Impaired loans and advances

Movement in the impaired loans and advances are as follows:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
At 1 July	**6,898**	6,873
Impaired during the financial year	**34,066**	25
Amount written-back during the financial year	**(34,442)**	-
At 30 June	**6,522**	6,898

9 Loans and advances (continued)

(vii) Impaired loans and advances (continued)

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	**126**	126
Purchase of landed properties	**155**	388
Purchase of securities	**366**	-
Working capital	**5,875**	6,384
	6,522	6,898
Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	**6,522**	6,898

(viii) Movements in expected credit losses

The Group and the Bank	**12 Months ECL (Stage 1) RM'000**	**Lifetime ECL not credit impaired (Stage 2) RM'000**	**Lifetime ECL credit impaired (Stage 3) RM'000**	**Total ECL RM'000**
At 1 July 2019	**140**	**1**	**3,214**	**3,355**
Transferred to Stage 1	**6**	**(6)**	**-**	**-**
Transferred to Stage 2	**(6)**	**6**	**-**	**-**
Transferred to Stage 3	**(11)**	**-**	**11**	**-**
New financial assets originated	**602**	**-**	**2,657**	**3,259**
Financial assets derecognised	**(2)**	**-**	**(3,088)**	**(3,090)**
Allowance made	**137**	**1**	**1,839**	**1,977**
Allowance written-back	**(210)**	**(1)**	**(1,655)**	**(1,866)**
At 30 June 2020	**656**	**1**	**2,978**	**3,635**
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	140	1	3,214	3,355

10 Other assets

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Amount due from holding company	**130**	133	**130**	133
Amounts due from related companies	**-**	474	**-**	474
Deposits	**11,329**	5,292	**11,329**	5,292
Prepayments	**1,323**	2,826	**1,316**	2,813
Fee income receivables	**6,175**	8,883	**6,175**	8,883
Cash collaterals pledged for derivative transactions	**17,673**	7,417	**17,673**	7,417
Treasury related receivables	-	19,185	-	19,185
Other receivables	**2,465**	4,632	**2,465**	4,632
	39,095	48,842	**39,088**	48,829
Less: Expected credit losses	**(1,428)**	(1,370)	**(1,428)**	(1,370)
	37,667	47,472	**37,660**	47,459

Movements of expected credit losses on other assets is as follows:

The Group and the Bank	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total ECL RM'000**
At 1 July 2019	**5**	**1,365**	**1,370**
New financial assets originated	**3**	**-**	**3**
Financial assets derecognised	**(4)**	-	**(4)**
Allowance made	**1**	**58**	**59**
At 30 June 2020	**5**	**1,423**	**1,428**
At 1 July 2018	2	1,473	1,475
New financial assets originated	4	50	54
Financial assets derecognised	(1)	(169)	(170)
Allowance made	-	11	11
At 30 June 2019	5	1,365	1,370

11 Statutory deposits with Bank Negara Malaysia ("BNM")

The non-interest bearing statutory deposits are maintained by the Bank with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount is determined at set percentages of total eligible liabilities.

As announced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to fully meet the SRR compliance. This flexibility is available until 31 May 2021.

12 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

		The Group and the Bank	
		30.06.2020	30.06.2019
	Note	**RM'000**	RM'000
Deferred tax assets		**85,925**	80,926
At 1 July		**80,926**	87,490
Credited/(Charged) to income statements	**35**	**5,428**	(3,643)
Charged to equity		**(429)**	(2,921)
At 30 June		**85,925**	80,926
Deferred tax assets			
- settled more than 12 months		**72,725**	67,428
- settled within 12 months		**20,655**	15,862
Deferred tax liabilities			
- settled more than 12 months		**(6,032)**	(2,202)
- settled within 12 months		**(1,423)**	(162)
		85,925	80,926

12 Deferred tax assets/(liabilities) (continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

The Group and the Bank	**Note**	**Property and equipment RM'000**	**Financial investments at FVOCI RM'000**	**Unutilised tax credits RM'000**	**Provisions RM'000**	**ROU assets RM'000**	**Lease liabities RM'000**	**Total RM'000**
At 1 July 2019								
- as previously reported		**52**	**(2,417)**	**79,982**	**3,309**	**-**	**-**	**80,926**
- effect of adopting MFRS 16	**49**	**-**	**-**	**-**	**-**	**(5,072)**	**5,072**	**-**
At 1 July 2019, as restated		**52**	**(2,417)**	**79,982**	**3,309**	**(5,072)**	**5,072**	**80,926**
(Charged)/Credited to income statements	**35**	**(394)**	**-**	**2,530**	**3,196**	**804**	**(708)**	**5,428**
Charged to equity		**-**	**(429)**	**-**	**-**	**-**	**-**	**(429)**
At 30 June 2020		**(342)**	**(2,846)**	**82,512**	**6,505**	**(4,268)**	**4,364**	**85,925**
At 1 July 2018		(537)	504	82,996	4,527	-	-	87,490
Credited/(Charged) to income statements	35	589	-	(3,014)	(1,218)	-	-	(3,643)
Charged to equity		-	(2,921)	-	-	-	-	(2,921)
At 30 June 2019		52	(2,417)	79,982	3,309	-	-	80,926

12 Deferred tax assets/(liabilities) (continued)

Deferred tax assets have not been recognised on the following as it is not probable that the Group and the Bank will generate sufficient future taxable profits available against which the unused tax credits can be utilised:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Unutilised tax credits carried forward	**66,997**	88,348

The Group's and the Bank's unutilised tax credit has no expiration date under current tax legislation.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group’s unutilised tax losses with no expiry period amounting to RM198,000 as at 30 June 2020 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2020 to 2026).

Deferred tax assets of a subsidiary have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the unutilised tax losses can be utilised.

	The Group	
	30.06.2020	30.06.2019
	RM'000	RM'000
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	**198**	229

13 Investment in subsidiary companies

	The Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Subsidiary companies:		
Unquoted shares, at cost	**200**	200

13 Investment in subsidiary companies (continued)

The subsidiary companies of the Bank are as follows:

Name of company	Country of incorporation	Effective equity interest 30.06.2020 %	30.06.2019 %	Principal activities
HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	**100**	100	Nominee and custodian services for Malaysia clients
HLIB Nominees (Asing) Sdn Bhd	Malaysia	**100**	100	Nominee and custodian services for foreign clients
SSSB Jaya (1987) Sdn Bhd	Malaysia	**100**	100	In creditor's voluntary liquidation
Unincorporated trust for ESOS	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose

Significant judgments and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straight forward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgment involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the Group which acts as managers of the structured entity are acting as its principal and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However certain entities are excluded from consolidation because the Group does not have exposure to their variable returns.

14 Structured entities

A structured entity (“SE”) is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

14 Structured entities (continued)

Unconsolidated structured entities in which the Group has an interest

An interest in a SE is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt securities, lending and derivatives.

HLIB has been involved in the setting up of the SEs to facilitate the sell down of the debt securities originated and arranged by HLIB. HLIB has power over the relevant activities but no significant exposure to these SEs.

The carrying amounts of assets and liabilities recognised in the Group's and the Bank's statements of financial position relating to the interests in unconsolidated SEs is summarised as below:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Assets		
Derivative financial assets	**-**	15
Liabilities		
Other liabilities	**44**	1
Derivative financial liabilities	**-**	573

The Group's and the Bank's income and expenses in relation to unconsolidated SEs recognised during the financial year is summarised as below:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Non-interest income		
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative		
financial liabilities - call options	**(15)**	(5)
- interest rate swaps	**(466)**	625
Interest expense		
- Interest rate swaps	**303**	630

The Group's and the Bank's maximum exposure to loss is the total of its on-balance sheet positions. Exposure to loss is mitigated through collateral held.

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Commitments and contingencies		
Interest rate related contracts:		
- Interest rate swaps	-	35,000
Equity related contracts:		
- Call options	-	7,000

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

15 Property and equipment

The Group and the Bank	Note	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 July 2019									
- as previously reported		350	780	804	5,933	346	12,553	457	21,223
- effect of adopting MFRS 16	49	-	(780)	(804)	-	-	-	-	(1,584)
At 1 July 2019, as restated		350	-	-	5,933	346	12,553	457	19,639
Additions		-	-	-	135	5	435	-	575
Reclassification		-	-	-	-	-	(7)	-	(7)
At 30 June 2020		350	-	-	6,068	351	12,981	457	20,207
Accumulated depreciation									
At 1 July 2019									
- as previously reported		-	54	108	4,978	210	2,907	192	8,449
- effect of adopting MFRS 16	16	-	(54)	(108)	-	-	-	-	(162)
At 1 July 2019, as restated		-	-	-	4,978	210	2,907	192	8,287
Charge for the financial year		-	-	-	409	41	2,140	63	2,653
At 30 June 2020		-	-	-	5,387	251	5,047	255	10,940
Net book value									
At 30 June 2020		350	-	-	681	100	7,934	202	9,267

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

15 Property and equipment (continued)

The Group and the Bank	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2018	350	780	804	5,704	1,190	13,188	206	22,222
Additions	-	-	-	474	9	2,778	316	3,577
Disposals	-	-	-	-	-	-	(65)	(65)
Write-offs	-	-	-	(245)	(853)	(3,413)	-	(4,511)
At 30 June 2019	350	780	804	5,933	346	12,553	457	21,223
Accumulated depreciation								
At 1 July 2018	-	46	92	4,685	969	3,439	206	9,437
Charge for the financial year	-	8	16	525	47	1,999	51	2,646
Disposals	-	-	-	-	-	-	(65)	(65)
Write-offs	-	-	-	(232)	(806)	(2,531)	-	(3,569)
At 30 June 2019	-	54	108	4,978	210	2,907	192	8,449
Net book value								
At 30 June 2019	350	726	696	955	136	9,646	265	12,774

16 Right-of-use assets ("ROU")

The Group and the Bank	Note	Leasehold Land RM'000	Leasehold Building RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost						
At 1 July 2019, on adoption of MFRS 16	**49**	**780**	**804**	**21,041**	**459**	**23,084**
Additions		**-**	**-**	**-**	**-**	**-**
At 30 June 2020		**780**	**804**	**21,041**	**459**	**23,084**
Accumulated depreciation						
At 1 July 2019, on adoption of MFRS 16	**49**	**54**	**108**	**-**	**-**	**162**
Charge for the financial year		**8**	**17**	**3,265**	**146**	**3,436**
At 30 June 2020		**62**	**125**	**3,265**	**146**	**3,598**
Net book value						
At 30 June 2020		**718**	**679**	**17,776**	**313**	**19,486**

17 Other intangible assets

	The Group and the Bank	
Computer software	**30.06.2020 RM'000**	30.06.2019 RM'000
Cost		
At 1 July	**12,907**	11,162
Additions	**1,578**	1,745
At 30 June	**14,485**	12,907
Amortisation		
At 1 July	**10,764**	8,476
Charge for the financial year	**1,327**	2,288
At 30 June	**12,091**	10,764
Net book value		
At 30 June	**2,394**	2,143

18 Goodwill

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Cost		
At 1 July/30 June	**28,986**	28,986

Allocation of goodwill to cash-generating unit

Goodwill has been allocated to the following cash-generating unit ("CGU"):

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
CGU		
Investment banking and stockbroking	**28,986**	28,986

Impairment test on goodwill

The recoverable amount of CGU has been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 3.6% (2019: 4.7%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on a perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations on the market development. The following are the discount rates used in determining the recoverable amount of the CGU:

	The Group and the Bank	
	30.06.2020	30.06.2019
Investment banking and stockbroking	**11.7%**	10.5%

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking CGU. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than the carrying amount.

19 Deposits from customers

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Fixed deposits	**737,747**	748,004

(i) The maturity structure of fixed deposits is as follows:

Due within:		
- six months	**720,239**	748,004
- six months to one year	**17,508**	-
	737,747	748,004

(ii) The deposits are sourced from the following customers:

Government and statutory bodies	**515,109**	525,319
Business enterprises	**207,466**	180,092
Individuals	**15,172**	42,593
	737,747	748,004

20 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Licensed banks	**228,601**	319,492
Licensed investment banks	**75,304**	130,032
Other financial institutions	**1,769,306**	1,972,596
	2,073,211	2,422,120

21 Lease liabilities

		The Group and the Bank	
	Note	**30.06.2020**	30.06.2019
		RM'000	RM'000
At 1 July, on adoption of MFRS 16	**49**	**21,132**	-
Interest expense		**950**	-
Lease payment		**(3,898)**	-
At 30 June		**18,184**	-

22 Other liabilities

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Amounts due to related companies (a)	**14**	-	**14**	-
Remisiers' trust deposits	**13,465**	13,011	**13,465**	13,011
Treasury related payables	**40,099**	20,624	**40,099**	20,624
Advance payments received for corporate exercise	**248**	66,015	**248**	66,015
Other payables and accrued liabilities	**62,300**	34,264	**60,897**	27,762
Post employment benefits obligation:				
- defined contribution plan	**215**	212	**215**	212
	116,341	134,126	**114,938**	127,624

(a) The amounts due to holding company, subsidiary and related companies are unsecured, interest free and repayable on demand.

23 Derivative financial assets/(liabilities)

The table below shows the Group's and the Bank's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analysed below:

		The Group and the Bank		
30.06.2020	**Note**	**Contract or underlying principal amount RM'000**	**Year-end positive fair value RM'000**	**Year-end negative fair value RM'000**
Derivatives at FVTPL:				
(i) Interest rate related contracts:				
- interest rate swaps		**4,350,000**	**47,834**	**(74,171)**
- cross currency swaps		**85,700**	**557**	**-**
(ii) Foreign exchange related contracts:				
- foreign currency swaps		**1,225,578**	**6,086**	**(4,567)**
- foreign currency forwards		**258,331**	**480**	**(372)**
Derivatives designated as fair value hedge:				
- Interest rate swap	**(a)**	**70,000**	**-**	**(2,510)**
		5,989,609	**54,957**	**(81,620)**
30.06.2019				
Derivatives at FVTPL:				
(i) Interest rate related contracts:				
- interest rate swaps		8,005,000	16,732	(29,429)
- futures		91,819	-	(134)
- cross currency swaps		82,720	2,745	-
(ii) Foreign exchange related contracts:				
- foreign currency swaps		2,313,381	8,731	(4,228)
- foreign currency forwards		170,641	48	(519)
(iii) Equity related contracts:				
- futures		29,152	39	-
- call options		7,000	15	-
		10,699,713	28,310	(34,310)

23 Derivative financial assets/(liabilities) (continued)

(a) Fair value hedge

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM70,000,000 (2019: Nil) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM2,477,000 (2019: Nil) at Group and Bank.

Included in the net non-interest income is the net losses arising from fair value hedges that were effective during the financial year as follows:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Loss on hedging instruments	**(2,477)**	**-**
Gain on hedged items attributable to the hedged risks	**1,919**	**-**
	(558)	**-**

24 Subordinated obligations

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
RM100.0 million Tier 2 subordinated notes, at par	**100,000**	150,000
Add: Interest payable	**185**	603
	100,185	150,603
Less: Unamortised discounts	**(7)**	(98)
	100,178	150,505

On 6 November 2014, the Bank 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 the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank 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 the Bank.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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

25 Share capital

	The Group and the Bank			
	30.06.2020		30.06.2019	
	Number of ordinary shares		Number of ordinary shares	
	'000	**RM'000**	'000	RM'000
Ordinary share issued and fully paid:				
At 1 July/30 June - Ordinary shares with no par value	**165,000**	**252,950**	165,000	252,950

26 Redeemable preference shares ("RPS")

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Authorised:		
Non-cumulative redeemable preference shares of RM0.01 each		
At 1 July/30 June	**20,000**	20,000
Issued and fully paid capital:		
At 1 July/30 June	**-**	-

The main features of the RPS are as follows:

(a) The RPS have right to dividends at the discretion of the Directors of the Bank, subject to BNM's approval pursuant to Section 51 of Financial Services Act 2013.

(b) The RPS rank pari passu in all respects among themselves.

(c) The RPS will not be convertible into ordinary shares.

(d) The RPS have no fixed maturity date and can be redeemed at any time by giving 7 days notice in writing.

(e) The RPS will not be listed on any stock exchange.

On 28 May 2015, the Bank redeemed 163,076,524 RPS of RM0.01 each, representing 100% of its issued RPS capital held by HLG Securities Sdn Bhd.

27 Reserves

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Regulatory reserve (a)	**12,076**	11,606	**12,076**	11,606
Fair value reserve (b)	**9,349**	7,794	**9,349**	7,794
Retained profits (c)	**279,903**	238,190	**279,828**	237,920
	301,328	257,590	**301,253**	257,320

(a) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 1 July 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) Movement of the fair value reserve is as follows:

		The Group and the Bank	
	Note	**30.06.2020**	30.06.2019
		RM'000	RM'000
At 1 July		**7,794**	(1,391)
Net gain from change in fair value		**8,716**	11,713
Reclassification to net profit on disposal		**(6,930)**	455
Net changes in expected credit losses		**198**	(62)
Deferred taxation	**12**	**(429)**	(2,921)
Net change in fair value reserve		**1,555**	9,185
At 30 June		**9,349**	7,794

(c) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

28a Interest income

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Loans and advances	**14,012**	13,752	**14,012**	13,752
Money at call and deposit placements with financial institutions	**8,803**	3,426	**8,734**	3,339
Financial investments at FVOCI	**40,309**	55,905	**40,309**	55,905
Financial investments at amortised cost	**29,261**	27,058	**29,261**	27,058
Others	**18,200**	14,343	**18,200**	14,343
	110,585	114,484	**110,516**	114,397

28b Interest income for financial assets at FVTPL

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Financial assets at FVTPL	**39,188**	48,190

29 Interest expense

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	**19,259**	32,567
Deposits from customers	**60,027**	76,882
Derivative financial instruments	**18,655**	8,376
Subordinated obligations	**5,262**	2,867
Lease liabilities	**950**	-
Others	**103**	634
	104,256	121,326

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Notes to the financial statements
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30 Non-interest income

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Fee income				
Fee on loans and advances	**925**	118	**925**	118
Arranger fees	**3,365**	4,363	**3,365**	4,363
Placement fees	**8,353**	8,426	**8,353**	8,426
Corporate advisory fees	**3,385**	5,052	**3,385**	5,052
Underwriting commissions	**188**	2,629	**188**	2,629
Brokerage income	**76,541**	52,457	**76,541**	52,457
Commissions from future contracts	**1,611**	731	**1,611**	731
Other fee income	**8,865**	4,115	**8,657**	3,937
	103,233	77,891	**103,025**	77,713
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	**3,908**	5,739	**3,907**	5,739
- Financial investments at FVOCI	**26,819**	14,758	**26,819**	14,758
- Derivative financial instruments	**39,562**	(35,915)	**39,562**	(35,915)
Net (loss)/gain on revaluation of:				
- Financial assets at FVTPL	**(133)**	6,420	**(132)**	6,420
- Derivative financial instruments	**(17,758)**	9,790	**(17,758)**	9,790
Dividend income from:				
- Financial assets at FVTPL	**1,523**	1,940	**1,515**	1,929
- Subsidiary companies	**-**	-	**300**	-
Net unrealised loss on fair value changes arising from fair value hedges	**(558)**	-	**(558)**	-
	53,363	2,732	**53,655**	2,721
Other income				
Gain on disposal of property and equipment	**-**	29	**-**	29
Foreign exchange (loss)/gain	**(32,245)**	16,750	**(32,245)**	16,750
Other non-operating income	**24**	27	**24**	27
	(32,221)	16,806	**(32,221)**	16,806
Total non-interest income	**124,375**	97,429	**124,459**	97,240

31 Overhead expenses

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**62,228**	45,651	**62,126**	45,542
Others	**7,426**	8,240	**7,408**	8,221
	69,654	53,891	**69,534**	53,763
Establishment costs				
Depreciation of property and equipment	**2,653**	2,646	**2,653**	2,646
Depreciation of ROU assets	**3,436**	-	**3,436**	-
Amortisation of intangible assets	**1,327**	2,288	**1,327**	2,288
Rental expenses	**78**	3,998	**62**	3,966
Information technology expenses	**5,008**	4,862	**5,006**	4,860
Others	**1,437**	1,924	**1,427**	1,910
	13,939	15,718	**13,911**	15,670
Marketing expenses				
Advertisement and publicity	**22**	39	**22**	39
Entertainment and business improvement	**968**	1,900	**968**	1,900
Others	**132**	270	**132**	270
	1,122	2,209	**1,122**	2,209
Administration and general expenses				
Management fees	**2,944**	2,298	**2,940**	2,296
Teletransmission expenses	**7,165**	5,803	**7,165**	5,803
Auditors' remuneration				
- Statutory audit fees	**253**	412	**245**	405
- Regulatory related fees	**23**	23	**23**	23
- Tax compliance fee	**15**	15	**15**	15
- Other fees	**20**	-	**20**	-
Legal and professional fees	**3,930**	5,887	**3,923**	5,860
Property and equipment written off	**-**	942	**-**	942
Others	**3,892**	3,747	**3,891**	3,743
	18,242	19,127	**18,222**	19,087
Total overhead expenses	**102,957**	90,945	**102,789**	90,729

Included in the overhead expenses of the Group and the Bank are Chief Executive Officer ("CEO") and Directors' remuneration totalling RM4,798,000 (2019: RM4,913,000).

There was no indemnity given or insurance effected for any auditor of the Group and the Bank during the annual financial year and its comparative financial year.

32 Allowance for impairment losses on loans and advances

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Expected credit losses on:		
- Loans and advances	**(280)**	(170)

33 (Allowance for)/write-back of impairment losses on financial investments and other financial assets

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Expected credit losses on:		
(a) Financial investments:		
- Financial investments at FVOCI	**(198)**	62
- Financial investments at amortised cost	**21**	(12)
	(177)	50
(b) Other financial assets:		
(i) Clients' and brokers' balances:		
- Expected credit loss	**(1,806)**	149
- Impaired clients' and brokers' balances recovered	**110**	51
(ii) Deposits and placements with banks and other financial institutions	**-**	22
(iii) Securities purchased under resale agreements	**-**	2
(iv) Other assets	**(58)**	105
	(1,754)	329
	(1,931)	379

34 Chief Executive Officer ("CEO") and Directors' remuneration

Forms of remuneration in aggregate for CEO and all Directors for the financial year as follows:

	The Group and the Bank					
	30.06.2020			30.06.2019		
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	**Director fees RM'000**	**Total RM'000**	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Total RM'000
Group Managing Director/ Chief Executive Officer:						
Ms Lee Jim Leng	**4,117**	**-**	**4,117**	4,244	-	4,244
Executive Directors:						
Mr Tan Kong Khoon	-	-	-	-	-	-
Non-Executive Directors:						
YBhg Dato' Mohzani bin Abdul Wahab	**17**	**155**	**172**	13	155	168
Mr Martin Giles Manen *(Retired on 30.07.2019)*	**3**	**13**	**16**	13	165	178
Mr Yong Yoong Fa	**17**	**164**	**181**	13	155	168
Encik Musa bin Mahmood	**16**	**135**	**151**	11	130	141
YM Raja Noorma binti Raja Othman	**15**	**146**	**161**	-	14	14
	4,185	**613**	**4,798**	4,294	619	4,913
Directors of subsidiaries	-	-	-	-	-	-
Total directors' remuneration	**4,185**	**613**	**4,798**	4,294	619	4,913

The movement and details of the Directors of the Bank in office and interests in shares and share options are reported in the Directors' Report.

34 Chief Executive Officer ("CEO") and Directors' remuneration (continued)

The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of the Companies Act, 2016. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the penultimate holding company and its subsidiaries was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the penultimate holding company and its subsidiaries was RM67,688 (2019: RM67,688) and the apportioned amount of the said premium paid by the Bank was RM960 (2019: RM1,178).

35 Taxation

		The Group		The Bank	
	Note	**30.06.2020 RM'000**	30.06.2019 RM'000	**30.06.2020 RM'000**	30.06.2019 RM'000
Malaysian income tax:					
- current financial year's charge		**19**	19	-	-
- over provision in prior financial years		**(7)**	-	-	-
		12	19	-	-
Deferred taxation					
- relating to origination and reversal of temporary differences	12	**(5,428)**	3,643	**(5,428)**	3,643
		(5,428)	3,643	**(5,428)**	3,643
		(5,416)	3,662	**(5,428)**	3,643

35 Taxation (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to tax income at the effective income tax rate of the Group and the Bank is as follows:

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**64,724**	48,041	**64,907**	47,981
Tax calculated at a rate of 24% (2019: 24%)	**15,534**	11,530	**15,578**	11,515
Tax effects of:				
- Income not subject to tax	**(365)**	(414)	**(391)**	(412)
- Expenses not deductible for tax purposes	**1,220**	1,720	**1,183**	1,714
- Recognition of unutilised tax credit previously not recognised	**(21,303)**	(8,306)	**(21,303)**	(8,306)
- Origination of temporary differences previously not recognised	**(495)**	(868)	**(495)**	(868)
- Over provision in prior financial years	**(7)**	-	-	-
Tax expense for the financial year	**(5,416)**	3,662	**(5,428)**	3,643

36 Earnings per share

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
(a) Basic earnings per share				
Weighted average number of number of ordinary shares in issue	**165,000**	165,000	**165,000**	165,000
Net profit attributable to equity holder of the Bank	**70,140**	44,379	**70,335**	44,338
Basic earnings per share (sen)	**42.51**	26.90	**42.63**	26.87

(b) Diluted earnings per share

There is no diluted earnings per share as the Group and the Bank have no category of dilutive potential ordinary shares outstanding as at 30 June 2020 and 30 June 2019.

37 Significant related party transactions

(a) Related parties and relationships

The related parties and their relationships with the Bank are as follows:

Related parties	**Relationship**
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Penultimate holding company
Hong Leong Capital Berhad ("HLCB")	Immediate holding company
Subsidiary companies of the Bank as disclosed in Note 13	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of penultimate holding company
Subsidiary companies of HLCB	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and its holding company - Key management personnel of the Bank who have the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

37 Significant related party transactions (continued)

(b) Related party transactions

Transactions with related parties are as follows:

The Group **30.06.2020**	**Holding and ultimate holding companies** **RM'000**	**Other related companies** **RM'000**	**Key management personnel** **RM'000**
Income			
Interest income	-	17,264	-
Brokerage income	5	4,766	99
Arranger fee	-	720	-
Placement fee	-	350	-
Other fee	128	200	-
Gain on securities and derivatives	14	1,080	-
	147	24,380	99
Expenditure *			
Interest expense	-	17,680	514
Rental	-	16	-
Management fees	2,944	-	-
Depreciation of ROU assets	-	3,145	-
Other miscellaneuos	13	4,088	-
	2,957	24,929	514
Amounts due from:			
Cash and short-term funds	-	14,992	-
Financial assets at FVTPL	87	104,347	-
Derivative financial assets	-	4,506	-
Clients' and brokers' balances	-	1,925	-
Other assets	130	1,194	-
	217	126,964	-
Amounts due to:			
Deposits from customers	-	951	15,172
Deposits and placements of banks and other financial institutions	-	149,905	-
Derivative financial liabilities	-	2,170	-
Clients' and brokers' balances	-	1,335	-
Other liabilities	-	58	-
	-	154,419	15,172
Commitments and contingencies			
Derivative financial instruments	-	318,620	-

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

37 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Group 30.06.2019	Holding and ultimate holding companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	202	19,284	-
Brokerage income	-	1,557	-
Corporate advisory fee	-	180	-
Arranger fee	-	120	-
Placement fee	2,350	224	-
Other fee	125	221	-
Gain on securities and derivatives	18	1,109	-
	2,695	22,695	-
Expenditure *			
Interest expense	-	27,044	604
Rental	-	3,878	-
Management fees	2,298	-	-
Other miscellaneuos	18	3,918	-
	2,316	34,840	604
Amounts due from:			
Cash and short-term funds	-	45,871	-
Financial assets at FVTPL	113	306,130	-
Derivative financial assets	-	1,517	-
Clients’ and brokers’ balances	19,418	932	-
Other assets	133	1,709	-
	19,664	356,159	-

37 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Group 30.06.2019	Holding and ultimate holding companies RM'000	Other related companies RM'000	Key management personnel RM'000
Amounts due to:			
Deposits from customers	-	722	16,166
Deposits and placements of banks and other financial institutions	-	316,403	-
Derivative financial liabilities	-	1,470	-
Clients' and brokers' balances	-	879	-
Other liabilities	-	1	-
	-	319,475	16,166
Commitments and contingencies			
Derivative financial instruments	-	42,000	-

The Bank 30.06.2020	Holding and ultimate holding companies RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest income	**-**	**-**	**17,195**	**-**
Brokerage income	**5**	**-**	**4,766**	**99**
Arranger fee	**-**	**-**	**720**	**-**
Placement fee	**-**	**-**	**350**	**-**
Other fee	**128**	**-**	**200**	**-**
Gain on securities and derivatives	**14**	**-**	**1,080**	**-**
	147	**-**	**24,311**	**99**
Expenditure *				
Interest expense	**-**	**-**	**17,680**	**514**
Rental	**-**	**-**	**16**	**-**
Management fees	**2,940**	**-**	**-**	**-**
Depreciation of ROU assets	**-**	**-**	**3,145**	**-**
Other miscellaneuos	**13**	**-**	**4,077**	**-**
	2,953	**-**	**24,918**	**514**

37 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Bank 30.06.2020	**Holding and ultimate holding companies RM'000**	**Subsidiaries RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Amounts due from:				
Cash and short-term funds	**-**	**-**	**13,402**	**-**
Financial assets at FVTPL	**87**	**-**	**104,347**	**-**
Derivative financial assets	**-**	**-**	**4,506**	**-**
Clients' and brokers' balances	**-**	**-**	**1,925**	**-**
Other assets	**130**	**-**	**1,194**	**-**
	217	**-**	**125,374**	**-**
Amounts due to:				
Deposits from customers	**-**	**-**	**951**	**15,172**
Deposits and placements of banks and other financial institutions	**-**	**-**	**149,905**	**-**
Derivative financial liabilities	**-**	**-**	**2,170**	**-**
Clients' and brokers' balances	**-**	**-**	**1,335**	**-**
Other liabilities	**-**	**-**	**58**	**-**
	-	**-**	**154,419**	**15,172**
Commitments and contingencies				
Derivative financial instruments	**-**	**-**	**318,620**	**-**

The Bank 30.06.2019				
Income				
Interest income	202	-	19,197	-
Brokerage income	-	-	1,557	-
Corporate advisory fee	-	-	180	-
Arranger fee	-	-	120	-
Placement fee	2,350	-	224	-
Other fee	125	-	210	-
Gain on securities and derivatives	18	-	1,109	-
	2,695	-	22,597	-

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

37 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Bank 30.06.2019	Holding and ultimate holding companies RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Expenditure *				
Interest expense	-	-	27,044	604
Rental	-	-	3,878	-
Management fees	2,296	-	-	-
Other miscellaneuos	15	-	3,918	-
	2,311	-	34,840	604
Amounts due from:				
Cash and short-term funds	-	-	39,268	-
Financial assets at FVTPL	113	-	305,766	-
Derivative financial assets	-	-	1,517	-
Clients' and brokers' balances	19,418	-	932	-
Other assets	133	-	1,709	-
	19,664	-	349,192	-
Amounts due to:				
Deposits from customers	-	-	722	16,166
Deposits and placements of banks and other financial institutions	-	-	316,403	-
Derivative financial liabilities	-	-	1,470	-
Clients' and brokers' balances	-	-	879	-
Other liabilities	-	-	1	-
	-	-	319,475	16,166
Commitments and contingencies				
Derivative financial instruments	-	-	42,000	-

* Pursuant to requirements as set out in Bank Negara Malaysia's ("BNM") circular dated 28 March 2018 on Standards on Intercompany Charges Paid/Payable to Foreign Shareholders/Related Entities, the intercompany payments by the Bank are primarily transacted with related parties domiciled in Malaysia.

The significant related party transactions above are primarily transacted with related parties domiciled in Malaysia.

37 Significant related party transactions (continued)

(c) Key management personnel

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Salaries, allowances and other short-term employee benefits	**8,258**	8,084
Fees	**613**	619
	8,871	8,703

Included in the above is the Directors' remuneration which is disclosed in Note 34.

(d) Credit transactions and exposure with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Outstanding credit exposures with connected parties	**5,723**	8,929
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	**3.17%**	3.46%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.00%**	0.00%

38 Dividends

Dividends declared and proposed as follows:-

	The Group and the Bank			
	30.06.2020		30.06.2019	
	Single-tier dividend per share Sen	**Amount of dividend RM'000**	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**40.00**	**66,000**	16.97	28,000

At the forthcoming Annual General Meeting, the Directors of the Bank propose a final single-tier dividend of 40.0 sen per share on the Bank's issued and paid-up share capital amounting to RM66,000,000 for the financial year ended 30 June 2020.

Dividends recognised as distribution to ordinary equity holders of the Bank:

	The Group and the Bank			
	30.06.2020		30.06.2019	
	Single-tier dividend per share Sen	**Amount of dividend RM'000**	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**16.97**	**28,000**	27.58	45,500

39 Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their 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 Group and the Bank	**30.06.2020 Principal amount RM'000**	30.06.2019 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**1,000**	1,000
Obligations under underwriting agreement	**-**	18,860
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**52,352**	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	**30,000**	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	**894,438**	750,103
	977,790	769,963
Derivative financial instruments		
Interest rate related contracts^:		
- One year or less	**1,365,000**	4,566,819
- Over one year to five years	**3,030,700**	3,367,720
- Over five years	**110,000**	245,000
Foreign exchange related contracts^:		
- One year or less	**1,483,909**	2,484,022
Equity related contracts^:		
- One year or less	**-**	36,152
	5,989,609	10,699,713
	6,967,399	11,469,676

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 23 to the financial statements as derivative financial assets or derivatives financial liabilities.

40 Capital commitments

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Property and equipment		
- approved and contracted but not provided for	**2,899**	6,922

41 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises and hired equipments, all of which are classified as operating lease. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitments are as follows:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Less than one year	-	3,891
More than one year	-	1,716
	-	5,607

42 Capital Management

The Bank's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholder's requirements and expectations. The Bank's Capital Management Framework for maintaining appropriate capital levels has complied with the requirements of Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework. The components of the total capital and capital adequacy ratios are disclosed in Note 43.

43 Capital adequacy

The Group’s and the Bank’s regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM’s Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets (“RWA”), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures.

43 Capital adequacy (continued)

The minimum capital adequacy including CCB for Common Equity Tier I (CETI) capital ratio, Tier I capital ratio and Total capital ratio are 7.000%, 8.500% and 10.500% respectively.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	**42.121%**	30.883%	**42.128%**	30.907%
Tier I capital ratio	**42.121%**	30.883%	**42.128%**	30.907%
Total capital ratio	**52.751%**	43.440%	**52.768%**	43.489%
After deducting proposed dividends: [(1)]				
CET I capital ratio	**35.498%**	28.623%	**35.500%**	28.642%
Tier I capital ratio	**35.498%**	28.623%	**35.500%**	28.642%
Total capital ratio	**46.129%**	41.180%	**46.139%**	41.224%

Note:

[(1)] Proposed dividends of RM66,000,000 (2019: RM28,000,005).

43 Capital adequacy (continued)

(ii) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows:

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
CET1 capital				
Paid-up ordinary share capital	**252,950**	252,950	**252,950**	252,950
Retained profits	**279,903**	238,190	**279,828**	237,920
Other reserves	**9,349**	7,794	**9,349**	7,794
Less: goodwill and intangibles	**(31,380)**	(31,129)	**(31,380)**	(31,129)
Less: deferred tax assets	**(85,925)**	(80,926)	**(85,925)**	(80,926)
Less: investment in subsidiary companies	**-**	-	**(200)**	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	**(5,142)**	(4,287)	**(5,142)**	(4,287)
Total CET1 capital	**419,755**	382,592	**419,480**	382,122
Tier 1 capital	**419,755**	382,592	**419,480**	382,122
Tier 2 capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [2]	**5,940**	5,556	**5,940**	5,556
Subordinated obligations	**100,000**	150,000	**100,000**	150,000
Total Tier 2 capital	**105,940**	155,556	**105,940**	155,556
Total capital	**525,695**	538,148	**525,420**	537,678

Note:
[2] Includes the qualifying regulatory reserve for non-impaired loans and advances.

(iii) Breakdown of risk-weighted assets in the various risk weights:

	The Group		The Bank	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**476,447**	445,803	**476,122**	444,468
Market risk	**257,343**	519,994	**257,167**	519,266
Operational risk	**262,761**	273,038	**262,434**	272,622
	996,551	1,238,835	**995,723**	1,236,356

44 Financial instruments

(a) Risk management objectives and policies

Risk Management is one of the core activities of the Bank to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Bank conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk include settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Bank.

The Bank has set out Board approved policies and guidelines for the management of credit risk. The Management Credit and Underwriting Committee ("MCUC") shall oversee all credit related matters of the Bank, in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities.

Market Risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Bank monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks.

The Bank has in place a set of policies, guidelines for the management of market risk. Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity Risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

44 Financial instruments (continued)

(a) Risk management objectives and policies (continued)

Operational Risk

Operational risk is the risk of direct and indirect loss resulting from inadequate or failed internal processes and controls due to error, inefficiencies, omission and unauthorised access, including external events beyond the control of the Bank. In order to reduce or mitigate these risks, the Bank has established internal control mechanisms within the various levels of the organisation, which include the setting up of procedural and control systems by the various units to manage the day-to-day operational risk inherent in their respective business and functional areas.

The Operational Risk Management ("ORM") Policy is in place to ensure that controls and segregation of duties exists to mitigate operational risks. The Bank has taken an initiative to promote operational risk awareness among its staff and an in-house awareness programme was completed in 2011. The Bank has begun presenting loss data reports on monthly basis to the senior management and the Board. This will also provide the foundation for mapping and collecting data on loss events and self-assessment models in subsequent phases of the ORM initiatives.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at the reporting date.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business unit and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity with an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group		**The Bank**	
	Impact on profit after tax RM'000	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
30.06.2020				
+100 bps	**6,301**	**(30,506)**	**6,301**	**(30,506)**
-100 bps	**(6,301)**	**30,506**	**(6,301)**	**30,506**

44 Financial instruments (continued)

(b) Market risk (continued)

(i) Interest rate sensitivity analysis (continued)

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity with an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2019				
+100 bps	6,029	(29,942)	6,029	(29,942)
-100 bps	(6,029)	29,942	(6,029)	29,942

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the affect of the appreciation or depreciation of the foreign currency rates against Ringgit Malaysia on the consolidated currency position, while other variables remain constant.

Impact on profit after tax

	30.06.2020		30.06.2019	
The Group and the Bank	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
USD	**93**	**(93)**	37	(37)
SGD	**(2)**	**2**	-	-
Others	**22**	**(22)**	13	(13)
	113	**(113)**	50	(50)

(iii) Equity prices sensitivity analysis

The Group and the Bank's exposure to equity securites price risk arises from investments held by the Group and classified in the statements of financial position as financial assets àt FVTPL and financial investments at FVOCI.

The Group and the Bank do not have significant exposure to equity price risks.

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group 30.06.2020	**Non–trading book**							
	Up to 1 month RM'000	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	188,001	-	-	-	-	84,602	-	272,603
Clients' and brokers' balances	-	-	-	-	-	236,008	-	236,008
Securities purchased under resale agreements	-	-	49,851	-	-	321	-	50,172
Financial assets at fair value through profit or loss	-	-	-	-	-	-	651,672	651,672
Financial investments at FVOCI	20,002	40,100	287,871	605,534	300,342	12,680	-	1,266,529
Financial investments at amortised cost	-	110,007	50,054	550,960	145,384	11,729	-	868,134
Loans and advances	280,224	34,952	-	44	-	803	-	316,023
Derivative financial assets	-	-	-	-	-	-	54,957	54,957
Other financial assets	-	-	-	-	-	36,344	-	36,344
Total assets	**488,227**	**185,059**	**387,776**	**1,156,538**	**445,726**	**382,487**	**706,629**	**3,752,442**

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2020	Non–trading book: Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	218,257	-	218,257
Deposits from customers	674,189	38,967	22,875	-	-	1,716	-	737,747
Deposits and placements of banks and other financial institutions	1,882,128	181,742	8,508	-	-	833	-	2,073,211
Lease liabilities	-	-	-	-	-	18,184	-	18,184
Other financial liabilities	-	-	-	-	-	116,341	-	116,341
Derivative financial liabilities	-	-	-	2,510	-	-	79,110	81,620
Subordinated obligations	-	-	-	-	99,993	185	-	100,178
Total liabilities	2,556,317	220,709	31,383	2,510	99,993	355,516	79,110	3,345,538
Net interest sensitivity gap	(2,068,090)	(35,650)	356,393	1,154,028	345,733			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	976,790		
Net interest sensitivity gap	-	-	-	-	-	977,790		

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2019	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
	← **Non–trading book**					→		
Assets								
Cash and short-term funds	367,472	-	-	-	-	82,590	-	450,062
Clients' and brokers' balances	-	-	-	-	-	196,362	-	196,362
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,246,572	1,246,572
Financial investments at FVOCI	10,001	114,028	68,484	483,237	424,673	10,492	-	1,110,915
Financial investments at amortised cost	22,731	-	84,377	447,593	171,397	9,567	-	735,665
Loans and advances	188,474	13,436	-	3,296	51	33	-	205,290
Derivative financial assets	-	-	-	-	-	-	28,310	28,310
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	37,259	-	37,259
Other financial assets	-	-	-	-	-	44,646	-	44,646
Total assets	588,678	127,464	152,861	934,126	596,121	380,949	1,274,882	4,055,081

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2019	← Non–trading book					→		
	Up to 1 month RM'000	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	183,123	-	183,123
Deposits from customers	636,308	82,748	27,725	-	-	1,223	-	748,004
Deposits and placements of banks and other financial institutions	2,183,872	84,311	151,077	-	-	2,860	-	2,422,120
Other financial liabilities	-	-	-	-	-	134,126	-	134,126
Derivative financial liabilities	-	-	-	-	-	-	34,310	34,310
Subordinated obligations	-	-	-	-	149,902	603	-	150,505
Total liabilities	2,820,180	167,059	178,802	-	149,902	321,935	34,310	3,672,188
Net interest sensitivity gap	(2,231,502)	(39,595)	(25,941)	934,126	446,219			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	768,963		
Net interest sensitivity gap	-	-	-	-	-	769,963		

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non–trading book							
The Bank 30.06.2020	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	188,001	-	-	-	-	83,012	-	271,013
Clients' and brokers' balances	-	-	-	-	-	236,008	-	236,008
Securities purchased under resale agreements	-	-	49,851	-	-	321	-	50,172
Financial assets at FVTPL	-	-	-	-	-	-	651,584	651,584
Financial investments at FVOCI	20,002	40,100	287,871	605,534	300,342	12,680	-	1,266,529
Financial investments at amortised cost	-	110,007	50,054	550,960	145,384	11,729	-	868,134
Loans and advances	280,224	34,952	-	44	-	803	-	316,023
Derivative financial assets	-	-	-	-	-	-	54,957	54,957
Other financial assets	-	-	-	-	-	36,344	-	36,344
Total assets	488,227	185,059	387,776	1,156,538	445,726	380,897	706,541	3,750,764

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2020	**Non–trading book** Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	**Trading book RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	218,257	-	218,257
Deposits from customers	674,189	38,967	22,875	-	-	1,716	-	737,747
Deposits and placements of banks and other financial institutions	1,882,128	181,742	8,508	-	-	833	-	2,073,211
Lease liabilities	-	-	-	-	-	18,184	-	18,184
Other financial liabilities	-	-	-	-	-	114,938	-	114,938
Derivative financial liabilities	-	-	-	2,510	-	-	79,110	81,620
Subordinated obligations	-	-	-	-	99,993	185	-	100,178
Total liabilities	2,556,317	220,709	31,383	2,510	99,993	354,113	79,110	3,344,135
Net interest sensitivity gap	(2,068,090)	(35,650)	356,393	1,154,028	345,733			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	976,790		
Net interest sensitivity gap	-	-	-	-	-	977,790		

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2019	**Non–trading book: Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	367,472	-	-	-	-	75,987	-	443,459
Clients' and brokers' balances	-	-	-	-	-	196,362	-	196,362
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,246,208	1,246,208
Financial investments at FVOCI	10,001	114,028	68,484	483,237	424,673	10,492	-	1,110,915
Financial investments at amortised cost	22,731	-	84,377	447,593	171,397	9,567	-	735,665
Loans and advances	188,474	13,436	-	3,296	51	33	-	205,290
Derivative financial assets	-	-	-	-	-	-	28,310	28,310
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	37,259	-	37,259
Other financial assets	-	-	-	-	-	44,646	-	44,646
Total assets	588,678	127,464	152,861	934,126	596,121	374,346	1,274,518	4,048,114

44 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2019	**Non–trading book** Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	**Trading book RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	183,123	-	183,123
Deposits from customers	636,308	82,748	27,725	-	-	1,223	-	748,004
Deposits and placements of banks and other financial institutions	2,183,872	84,311	151,077	-	-	2,860	-	2,422,120
Other financial liabilities	-	-	-	-	-	127,624	-	127,624
Derivative financial liabilities	-	-	-	-	-	-	34,310	34,310
Subordinated obligations	-	-	-	-	149,902	603	-	150,505
Total liabilities	2,820,180	167,059	178,802	-	149,902	315,433	34,310	3,665,686
Net interest sensitivity gap	(2,231,502)	(39,595)	(25,941)	934,126	446,219			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	768,963		
Net interest sensitivity gap	-	-	-	-	-	769,963		

44 Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline:

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	**185,982**	**86,621**	**-**	**-**	**-**	**-**	**-**	**272,603**
Clients' and brokers' balances	**236,008**	**-**	**-**	**-**	**-**	**-**	**-**	**236,008**
Securities purchased under resale agreements	**-**	**-**	**-**	**50,172**	**-**	**-**	**-**	**50,172**
Financial assets at FVTPL	**-**	**389,658**	**99,716**	**98,950**	**-**	**43,795**	**19,553**	**651,672**
Financial investments at FVOCI	**20,446**	**-**	**40,691**	**83,019**	**206,376**	**915,997**	**-**	**1,266,529**
Financial investments at amortised cost	**-**	**-**	**111,515**	**50,215**	**-**	**706,404**	**-**	**868,134**
Loans and advances	**225,832**	**55,195**	**34,952**	**-**	**-**	**44**	**-**	**316,023**
Derivative financial assets	**664**	**1,924**	**3,050**	**2,375**	**3,628**	**43,316**	**-**	**54,957**
Other assets *	**130**	**-**	**-**	**-**	**37,337**	**-**	**146,258**	**183,725**
Total assets	**669,062**	**533,398**	**289,924**	**284,731**	**247,341**	**1,709,556**	**165,811**	**3,899,823**

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, ROU assets, other intangible assets and goodwill.

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	**218,257**	**-**	**-**	**-**	**-**	**-**	**-**	**218,257**
Deposits from customers	**376,945**	**298,833**	**39,042**	**5,419**	**17,508**	**-**	**-**	**737,747**
Deposits and placements of banks and other financial institutions	**1,329,077**	**553,761**	**181,834**	**6,528**	**2,011**	**-**	**-**	**2,073,211**
Lease liabilities	**-**	**283**	**498**	**750**	**1,527**	**15,126**	**-**	**18,184**
Other liabilities and provision for tax	**-**	**13,659**	**-**	**-**	**102,474**	**215**	**-**	**116,348**
Derivative financial liabilities	**657**	**2,133**	**2,102**	**2,927**	**4,504**	**69,297**	**-**	**81,620**
Subordinated obligations	**-**	**-**	**-**	**-**	**-**	**100,178**	**-**	**100,178**
Total liabilities	**1,924,936**	**868,669**	**223,476**	**15,624**	**128,024**	**184,816**	**-**	**3,345,545**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**554,278**	**554,278**
Total liabilities and equity	**1,924,936**	**868,669**	**223,476**	**15,624**	**128,024**	**184,816**	**554,278**	**3,899,823**

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	116,633	333,429	-	-	-	-	-	450,062
Clients' and brokers' balances	196,362	-	-	-	-	-	-	196,362
Financial assets at FVTPL	20,441	452,234	543,954	-	58,690	133,184	38,069	1,246,572
Financial investments at FVOCI	10,217	-	115,017	43,690	25,412	916,579	-	1,110,915
Financial investments at amortised cost	23,082	-	-	34,671	50,247	627,665	-	735,665
Loans and advances	188,507	-	13,436	-	-	3,347	-	205,290
Derivative financial assets	1,571	1,857	4,779	1,111	1,778	17,214	-	28,310
Other assets *	608	-	-	-	46,864	-	162,088	209,560
Total assets	557,421	787,520	677,186	79,472	182,991	1,697,989	200,157	4,182,736

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, other intangible assets and goodwill.

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	183,123	-	-	-	-	-	-	183,123
Deposits from customers	219,720	417,605	82,861	27,818	-	-	-	748,004
Deposits and placements of banks and other financial institutions	1,498,072	687,613	84,680	151,755	-	-	-	2,422,120
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-
Other liabilities and provision for tax	13,205	-	-	-	120,717	212	-	134,134
Derivative financial liabilities	106	1,822	3,270	832	2,161	26,119	-	34,310
Subordinated obligations	-	-	-	-	-	150,505	-	150,505
Total liabilities	1,914,226	1,107,040	170,811	180,405	122,878	176,836	-	3,672,196
Total equity	-	-	-	-	-	-	510,540	510,540
Total liabilities and equity	1,914,226	1,107,040	170,811	180,405	122,878	176,836	510,540	4,182,736

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Bank 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	184,392	86,621	-	-	-	-	-	271,013
Clients' and brokers' balances	236,008	-	-	-	-	-	-	236,008
Securities purchased under resale agreements	-	-	-	50,172	-	-	-	50,172
Financial assets at FVTPL	-	389,658	99,716	98,950	-	43,795	19,465	651,584
Financial investments at FVOCI	20,446	-	40,691	83,019	206,376	915,997	-	1,266,529
Financial investments at amortised cost	-	-	111,515	50,215	-	706,404	-	868,134
Loans and advances	225,832	55,195	34,952	-	-	44	-	316,023
Derivative financial assets	664	1,924	3,050	2,375	3,628	43,316	-	54,957
Other assets *	130	-	-	-	37,530	-	146,258	183,918
Total assets	667,472	533,398	289,924	284,731	247,534	1,709,556	165,723	3,898,338

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, ROU assets, other intangible assets and goodwill.

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Bank 30.06.2020	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	218,257	-	-	-	-	-	-	218,257
Deposits from customers	376,945	298,833	39,042	5,419	17,508	-	-	737,747
Deposits and placements of banks and other financial institutions	1,329,077	553,761	181,834	6,528	2,011	-	-	2,073,211
Lease liabilities	-	283	498	750	1,527	15,126	-	18,184
Other liabilities	-	13,659	-	-	101,064	215	-	114,938
Derivative financial liabilities	657	2,133	2,102	2,927	4,504	69,297	-	81,620
Subordinated obligations	-	-	-	-	-	100,178	-	100,178
Total liabilities	1,924,936	868,669	223,476	15,624	126,614	184,816	-	3,344,135
Total equity	-	-	-	-	-	-	554,203	554,203
Total liabilities and equity	1,924,936	868,669	223,476	15,624	126,614	184,816	554,203	3,898,338

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Bank **30.06.2019**	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	110,030	333,429	-	-	-	-	-	443,459
Clients' and brokers' balances	196,362	-	-	-	-	-	-	196,362
Financial assets at FVTPL	20,441	452,234	543,954	-	58,690	133,184	37,705	1,246,208
Financial investments at FVOCI	10,217	-	115,017	43,690	25,412	916,579	-	1,110,915
Financial investments at amortised cost	23,082	-	-	34,671	50,247	627,665	-	735,665
Loans and advances	188,507	-	13,436	-	-	3,347	-	205,290
Derivative financial assets	1,571	1,857	4,779	1,111	1,778	17,214	-	28,310
Other assets *	608	-	-	-	46,851	-	162,288	209,747
Total assets	550,818	787,520	677,186	79,472	182,978	1,697,989	199,993	4,175,956

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, other intangible assets and goodwill.

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Bank 30.06.2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	183,123	-	-	-	-	-	-	183,123
Deposits from customers	219,720	417,605	82,861	27,818	-	-	-	748,004
Deposits and placements of banks and other financial institutions	1,498,072	687,613	84,680	151,755	-	-	-	2,422,120
Other liabilities	13,205	-	-	-	114,207	212	-	127,624
Derivative financial liabilities	106	1,822	3,270	832	2,161	26,119	-	34,310
Subordinated obligations	-	-	-	-	-	150,505	-	150,505
Total liabilities	1,914,226	1,107,040	170,811	180,405	116,368	176,836	-	3,665,686
Total equity	-	-	-	-	-	-	510,270	510,270
Total liabilities and equity	1,914,226	1,107,040	170,811	180,405	116,368	176,836	510,270	4,175,956

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Group **30.06.2020**	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	218,257	-	-	-	-	-	218,257
Deposits from customers	676,033	44,613	17,738	-	-	-	738,384
Deposits and placements of banks and other financial institutions	1,883,339	188,627	2,042	-	-	-	2,074,008
Lease liabilities	356	1,597	1,912	6,754	6,093	4,280	20,992
Other liabilities	13,660	-	102,467	-	-	215	116,342
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(998,380)	(486,098)	-	-	-	-	(1,484,478)
- outflow	490,857	475,168	-	-	-	-	966,025
- net settled derivatives	(102)	388	2,231	18,621	1,470	(570)	22,038
Subordinated obligations	-	2,121	2,109	8,460	8,471	116,932	138,093
Total financial liabilities	**2,284,020**	**226,416**	**128,499**	**33,835**	**16,034**	**120,857**	**2,809,661**

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Group 30.06.2019	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	183,123	-	-	-	-	-	183,123
Deposits from customers	637,879	111,744	-	-	-	-	749,623
Deposits and placements of banks and other financial institutions	2,186,707	238,577	-	-	-	-	2,425,284
Other liabilities	13,205	-	120,709	-	-	212	134,126
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(1,275,656)	(932,156)	(276,577)	-	-	-	(2,484,389)
- outflow	1,274,333	927,731	278,558	-	-	-	2,480,622
- net settled derivatives	(48)	(32)	574	(1,659)	1,495	(19)	311
Subordinated obligations	-	3,499	3,431	13,748	13,779	172,497	206,954
Total financial liabilities	3,019,543	349,363	126,695	12,089	15,274	172,690	3,695,654

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Bank 30.06.2020	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	218,257	-	-	-	-	-	218,257
Deposits from customers	676,033	44,613	17,738	-	-	-	738,384
Deposits and placements of banks and other financial institutions	1,883,339	188,627	2,042	-	-	-	2,074,008
Lease liabilities	356	1,597	1,912	6,754	6,093	4,280	20,992
Other liabilities	13,660	-	101,065	-	-	215	114,940
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(998,380)	(486,098)	-	-	-	-	(1,484,478)
- outflow	490,857	475,168	-	-	-	-	966,025
- net settled derivatives	(102)	388	2,231	18,621	1,470	(570)	22,038
Subordinated obligations	-	2,121	2,109	8,460	8,471	116,932	138,093
Total financial liabilities	2,284,020	226,416	127,097	33,835	16,034	120,857	2,808,259

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Bank 30.06.2019	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	183,123	-	-	-	-	-	183,123
Deposits from customers	637,879	111,744	-	-	-	-	749,623
Deposits and placements of banks and other financial institutions	2,186,707	238,577	-	-	-	-	2,425,284
Other liabilities	13,205	-	114,207	-	-	212	127,624
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(1,275,656)	(932,156)	(276,577)	-	-	-	(2,484,389)
- outflow	1,274,333	927,731	278,558	-	-	-	2,480,622
- net settled derivatives	(48)	(32)	574	(1,659)	1,495	(19)	311
Subordinated obligations	-	3,499	3,431	13,748	13,779	172,497	206,954
Total financial liabilities	3,019,543	349,363	120,193	12,089	15,274	172,690	3,689,152

44 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

The Group and Bank	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
30.06.2020			
Direct credit substitutes	**1,000**	**-**	**1,000**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**52,352**	**-**	**52,352**
Other commitments, such as formal standby facilities and credit lines	**-**	**30,000**	**30,000**
Any commitment that are unconditionally cancelled at anytime by the bank without prior notice	**894,438**	**-**	**894,438**
	947,790	**30,000**	**977,790**
30.06.2019			
Direct credit substitutes	1,000	-	1,000
Obligations under underwriting agreement	18,860	-	18,860
Any commitment that are unconditionally cancelled at anytime by the bank without prior notice	750,103	-	750,103
	769,963	-	769,963

44 Financial instruments (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

	The Group		**The Bank**	
	30.06.2020	30.06.2019	**30.06.2020**	30.06.2019
	RM'000	RM'000	**RM'000**	RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**272,591**	450,050	**271,001**	443,447
Clients' and brokers' balances	**236,008**	196,362	**236,008**	196,362
Securities purchased under resale agreements	**50,172**	-	**50,172**	-
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets at FVTPL	**632,119**	1,208,503	**632,119**	1,208,503
- financial investments at FVOCI	**1,266,529**	1,110,915	**1,266,529**	1,110,915
- financial investments at amortised cost	**868,134**	735,665	**868,134**	735,665
Loans and advances	**316,023**	205,290	**316,023**	205,290
Other assets	**36,344**	44,646	**36,344**	44,646
Derivative financial assets	**54,957**	28,310	**54,957**	28,310
	3,732,877	3,979,741	**3,731,287**	3,973,138
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	**977,790**	769,963	**977,790**	769,963
Total maximum credit risk exposure	**4,710,667**	4,749,704	**4,709,077**	4,743,101

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

44 Financial instruments (continued)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group and the Bank are as follows:
(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for loans and advances for which no allowances is recognised because of collaterals at 30 June 2020 amounted to RM0.2 million (30 June 2019: RM0.4 million) for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2020 for the Group and the Bank is 99.3% (30 June 2019: 99.1%). The financial effect of collateral held for the other financial assets is not significant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans and advances that are credit impaired as at 30 June 2020 for the Group and the Bank is 100.0% (30 June 2019: 100.0%).

(iii) Credit exposure by stage

Financial assets of the Group and the Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL – not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets
Stage 2: Lifetime ECL – not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

44 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit exposure by stage (continued)

Financial assets of the Group and the Bank are classified into three stages as below: (continued)

Stages	Description
Stage 3: Lifetime ECL – credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note F.

(iv) Credit quality

The Group and the Bank assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	**Description**
Good	Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss to the Group and the Bank
Fair	Exposures demonstrate fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and the Bank
Un-graded	Counterparties which do not satisfy the criteria to be graded based on internal credit rating system
Credit impaired	Exposures that have been assessed as credit-impaired

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	**Rating**
Good	AAA to AA3
Good	A1 to A3
Fair	Baa1 to Baa3
Fair	P1 to P3
Un-graded	Non-rated
Credit impaired	Default

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group 30.06.2020	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total RM'000**
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	**224,986**	-	-	**224,986**
Fair	**97,253**	-	-	**97,253**
Un-graded	**524**	-	-	**524**
Gross carrying amount	**322,763**	-	-	**322,763**
Expected credit losses	-	-	-	-
Net carrying amount	**322,763**	-	-	**322,763**
Financial investments at FVOCI				
Good	**658,315**	-	-	**658,315**
Fair	**65,642**	-	-	**65,642**
Un-graded	**542,572**	-	-	**542,572**
Gross carrying amount	**1,266,529**	-	-	**1,266,529**
Expected credit losses	-	-	-	-
Net carrying amount	**1,266,529**	-	-	**1,266,529**

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2020	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total RM'000**
Financial investments at amortised cost				
Good	**5,001**	**-**	**-**	**5,001**
Fair	**16,964**	**-**	**-**	**16,964**
Un-graded	**846,184**	**-**	**-**	**846,184**
Gross carrying amount	**868,149**	**-**	**-**	**868,149**
Expected credit losses	**(15)**			**(15)**
Net carrying amount	**868,134**	**-**	**-**	**868,134**
Loans and advances				
Good	**40,054**	**-**	**-**	**40,054**
Fair	**48,006**	**-**	**-**	**48,006**
Un-graded	**221,462**	**3,614**	**-**	**225,076**
Credit impaired	**-**	**-**	**6,522**	**6,522**
Gross carrying amount	**309,522**	**3,614**	**6,522**	**319,658**
Expected credit losses	**(656)**	**(1)**	**(2,978)**	**(3,635)**
Net carrying amount	**308,866**	**3,613**	**3,544**	**316,023**
The Group				
30.06.2019				
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	320,430	-	-	320,430
Fair	129,517	-	-	129,517
Un-graded	103	-	-	103
Gross carrying amount	450,050	-	-	450,050
Expected credit losses	-	-	-	-
Net carrying amount	450,050	-	-	450,050

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2019	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total RM'000**
Financial investments at FVOCI				
Good	549,355	-	-	549,355
Fair	63,530	-	-	63,530
Un-graded	498,030	-	-	498,030
Gross carrying amount	1,110,915	-	-	1,110,915
Expected credit losses	-	-	-	-
Net carrying amount	1,110,915	-	-	1,110,915
Financial investments at amortised cost				
Good	29,616	-	-	29,616
Fair	39,271	-	-	39,271
Un-graded	666,814	-	-	666,814
Gross carrying amount	735,701	-	-	735,701
Expected credit losses	(36)			(36)
Net carrying amount	735,665	-	-	735,665
Loans and advances				
Good	13,478	-	-	13,478
Un-graded	186,734	1,535	-	188,269
Credit impaired	-	-	6,898	6,898
Gross carrying amount	200,212	1,535	6,898	208,645
Expected credit losses	(140)	(1)	(3,214)	(3,355)
Net carrying amount	200,072	1,534	3,684	205,290

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank 30.06.2020	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total RM'000**
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	**224,986**	**-**	**-**	**224,986**
Fair	**95,663**	**-**	**-**	**95,663**
Un-graded	**524**	**-**	**-**	**524**
Gross carrying amount	**321,173**	**-**	**-**	**321,173**
Expected credit losses	**-**	**-**	**-**	**-**
Net carrying amount	**321,173**	**-**	**-**	**321,173**
Financial investments at FVOCI				
Good	**658,315**	**-**	**-**	**658,315**
Fair	**65,642**	**-**	**-**	**65,642**
Un-graded	**542,572**	**-**	**-**	**542,572**
Gross carrying amount	**1,266,529**	**-**	**-**	**1,266,529**
Expected credit losses	**-**	**-**	**-**	**-**
Net carrying amount	**1,266,529**	**-**	**-**	**1,266,529**
Financial investments at amortised cost				
Good	**5,001**	**-**	**-**	**5,001**
Fair	**16,964**	**-**	**-**	**16,964**
Un-graded	**846,184**	**-**	**-**	**846,184**
Gross carrying amount	**868,149**	**-**	**-**	**868,149**
Expected credit losses	**(15)**			**(15)**
Net carrying amount	**868,134**	**-**	**-**	**868,134**
Loans and advances				
Good	**40,054**	**-**	**-**	**40,054**
Fair	**48,006**	**-**	**-**	**48,006**
Un-graded	**221,462**	**3,614**	**-**	**225,076**
Credit impaired	**-**	**-**	**6,522**	**6,522**
Gross carrying amount	**309,522**	**3,614**	**6,522**	**319,658**
Expected credit losses	**(656)**	**(1)**	**(2,978)**	**(3,635)**
Net carrying amount	**308,866**	**3,613**	**3,544**	**316,023**

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank 30.06.2019	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total RM'000**
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	320,430	-	-	320,430
Fair	122,914	-	-	122,914
Un-graded	103	-	-	103
Gross carrying amount	443,447	-	-	443,447
Expected credit losses	-	-	-	-
Net carrying amount	443,447	-	-	443,447
Financial investments at FVOCI				
Good	549,355	-	-	549,355
Fair	63,530	-	-	63,530
Un-graded	498,030	-	-	498,030
Gross carrying amount	1,110,915	-	-	1,110,915
Expected credit losses	-	-	-	-
Net carrying amount	1,110,915	-	-	1,110,915
Financial investments at amortised cost				
Good	29,616	-	-	29,616
Fair	39,271	-	-	39,271
Un-graded	666,814	-	-	666,814
Gross carrying amount	735,701	-	-	735,701
Expected credit losses	(36)			(36)
Net carrying amount	735,665	-	-	735,665
Loans and advances				
Good	13,478	-	-	13,478
Fair	-	-	-	-
Un-graded	186,734	1,535	-	188,269
Credit impaired	-	-	6,898	6,898
Gross carrying amount	200,212	1,535	6,898	208,645
Expected credit losses	(140)	(1)	(3,214)	(3,355)
Net carrying amount	200,072	1,534	3,684	205,290

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refer to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

Loans and advances are summarised as follows:

The Group and the Bank	**30.06.2020 RM'000**	30.06.2019 RM'000
Neither past due nor impaired	**313,136**	201,747
Past due but not impaired	-	-
Individually impaired	**6,522**	6,898
Gross loans and advances	**319,658**	208,645
Expected credit losses	**(3,635)**	(3,355)
Total net loans and advances	**316,023**	205,290

(i) Loans and advances neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired based on the Group's and the Bank's credit grading system is as follows:

The Group and the Bank	**30.06.2020 RM'000**	30.06.2019 RM'000
Grading classification		
- Good	**16,360**	13,478
- Satisfactory	**71,700**	-
- Un-graded	**225,076**	188,269
Total neither past due nor impaired	**313,136**	201,747

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired (continued)

The definition of the grading classification of loans and advances can be summarised as follow:

Good:
Refers to internal credit grading from 'Favourable' to 'Prime Quality', indicating strong ability to repay principal and interest.

Satisfactory:
Refers to internal credit grading of 'Satisfactory', indicating adequate ability and no difficulty to repay principal and interest.

Loans and advances classified as un-graded mainly comprise of share margin financing and staff loans.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There was no loans and advances past due but not impaired for the Group and the Bank.

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group and the Bank	**30.06.2020** **RM'000**	30.06.2019 RM'000
Gross amount of individually impaired loans	**6,522**	6,898
Less: Expected credit losses	**(2,978)**	(3,214)
Total net amount individually impaired loans	**3,544**	3,684

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:-

The Group	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Securities purchased under resale agreements RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2020								
Neither past due nor impaired	**272,591**	**234,383**	**50,172**	**632,119**	**1,266,529**	**868,149**	**36,349**	**54,957**
Individually impaired	**-**	**3,651**	**-**	**-**	**-**	**-**	**1,423**	**-**
Less: Impairment losses	**-**	**(2,026)**	**-**	**-**	**-**	**(15)**	**(1,428)**	**-**
	272,591	**236,008**	**50,172**	**632,119**	**1,266,529**	**868,134**	**36,344**	**54,957**

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivatives financial assets are summarised as follows:- (continued)

The Group	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2019							
Neither past due nor impaired	450,050	195,980	1,208,503	1,110,915	735,701	44,651	28,310
Individually impaired	-	602	-	-	-	1,365	-
Less: Impairment losses	-	(220)	-	-	(36)	(1,370)	-
	450,050	196,362	1,208,503	1,110,915	735,665	44,646	28,310

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivatives financial assets are summarised as follows:- (continued)

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2020								
Neither past due nor impaired	271,001	234,383	50,172	632,119	1,266,529	868,149	36,349	54,957
Individually impaired	-	3,651	-	-	-	-	1,423	-
Less: Impairment losses	-	(2,026)	-	-	-	(15)	(1,428)	-
	271,001	236,008	50,172	632,119	1,266,529	868,134	36,344	54,957

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivatives financial assets are summarised as follows:- (continued)

The Bank	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2019							
Neither past due nor impaired	443,447	195,980	1,208,503	1,110,915	735,701	44,651	28,310
Individually impaired	-	602	-	-	-	1,365	-
Less: Impairment losses	-	(220)	-	-	(36)	(1,370)	-
	443,447	196,362	1,208,503	1,110,915	735,665	44,646	28,310

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2020								
AAA to AA3	**174,814**	**-**	**50,172**	**599,740**	**595,377**	**4,999**	**-**	**49,458**
A1 to A3	**-**	**-**	**-**	**-**	**62,938**	**-**	**-**	**2,175**
Baa1 to Baa3	**-**	**-**	**-**	**-**	**46,031**	**16,951**	**-**	**474**
P1 to P3	**97,253**	**-**	**-**	**-**	**19,611**	**-**	**16,971**	**-**
Non-rated, of which:								
- Bank Negara Malaysia	**524**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Malaysia Government Investment Issues	**-**	**-**	**-**	**-**	**32,640**	**392,061**	**-**	**-**
- Malaysian Government Securities	**-**	**-**	**-**	**-**	**41,229**	**291,869**	**-**	**-**
- Government guaranteed corporate bond and/or sukuk	**-**	**-**	**-**	**-**	**432,780**	**20,297**	**-**	**-**
- Others	**-**	**236,008**	**-**	**32,379**	**35,923**	**141,957**	**19,373**	**2,850**
	524	**236,008**	**-**	**32,379**	**542,572**	**846,184**	**19,373**	**2,850**
	272,591	**236,008**	**50,172**	**632,119**	**1,266,529**	**868,134**	**36,344**	**54,957**

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2019							
AAA to AA3	320,430	-	1,011,612	501,535	15,076	-	27,416
A1 to A3	-	-	-	47,820	14,535	-	790
Baa1 to Baa3	-	-	-	63,530	39,241	-	50
P1 to P3	129,517	-	5,017	-	-	6,330	-
Non-rated, of which:							
- Bank Negara Malaysia	103	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	31,073	478,451	-	-
- Malaysian Government Securities	-	-	20,806	235,724	157,905	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	74,292	195,802	30,457	-	-
- Others	-	196,362	96,776	35,431	-	38,316	54
	103	196,362	191,874	498,030	666,813	38,316	54
	450,050	196,362	1,208,503	1,110,915	735,665	44,646	28,310

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2020								
AAA to AA3	**174,814**	**-**	**50,172**	**599,740**	**595,377**	**4,999**	**-**	**49,458**
A1 to A3	**-**	**-**	**-**	**-**	**62,938**	**-**	**-**	**2,175**
Baa1 to Baa3	**-**	**-**	**-**	**-**	**46,031**	**16,951**		**474**
P1 to P3	**95,663**	**-**	**-**	**-**	**19,611**	**-**	**16,971**	**-**
Non-rated, of which:								
- Bank Negara Malaysia	**524**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Malaysia Government Investment Issues	**-**	**-**	**-**	**-**	**32,640**	**392,061**	**-**	**-**
- Malaysian Government Securities	**-**	**-**	**-**	**-**	**41,229**	**291,869**	**-**	**-**
- Government guaranteed corporate bond and/or sukuk	**-**	**-**	**-**	**-**	**432,780**	**20,297**	**-**	**-**
- Others	**-**	**236,008**	**-**	**32,379**	**35,923**	**141,957**	**19,373**	**2,850**
	524	**236,008**	**-**	**32,379**	**542,572**	**846,184**	**19,373**	**2,850**
	271,001	**236,008**	**50,172**	**632,119**	**1,266,529**	**868,134**	**36,344**	**54,957**

44 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2019							
AAA to AA3	320,430	-	1,011,612	501,535	15,076	-	27,416
A1 to A3	-	-	-	47,820	14,535	-	790
Baa1 to Baa3	-	-	-	63,530	39,241		50
P1 to P3	122,914	-	5,017	-	-	6,330	-
Non-rated, of which:							
- Bank Negara Malaysia	103	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	31,073	478,451	-	-
- Malaysian Government Securities	-	-	20,806	235,724	157,905	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	74,292	195,802	30,457	-	-
- Others	-	196,362	96,776	35,431	-	38,316	54
	103	196,362	191,874	498,030	666,813	38,316	54
	443,447	196,362	1,208,503	1,110,915	735,665	44,646	28,310

44 Financial instruments (continued)

(d) Credit risk (continued)

(v) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group and the Bank will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. There is no repossessed collateral as at the reporting date.

(vi) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the income statements.

There were no contractual amount outstanding on loans and advances and securities portfolio that were written off during the financial year ended 30 June 2020, and are still subject to enforcement activities for the Group and the Bank.

(vii) Sensitivity analysis

The Group and the Bank has performed ECL sensitivity assessment on loans and advances based on the changes in the key macroeconomic variable i.e. banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the macroeconomic variable to project the impact to ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in the macroeconomic variable used while other variables remain constant:

	Changes
Banking credit system	+/- 100bps

The Group and the Bank	**30.06.2020 RM'000**	30.06.2019 RM'000
The effect of ECL on the positive changes in macroeconomic variable	**9**	2
The effect of ECL on the negative changes in macroeconomic variable	**(9)**	(2)

44 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below:

The Group 30.06.2020	Short-term funds and deposits and placements with financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	1,499	-	1,499	-
Manufacturing	-	-	-	-	-	-	-	352	-	352	-
Electricity, gas and water	-	-	-	11,415	162,302	-	-	-	-	173,717	-
Construction	-	-	-	-	10,367	4,999	-	79	-	15,445	1,000
Transport, storage and communications	-	-	-	-	185,617	-	-	70	-	185,687	-
Finance, insurance, real estate and business services	272,067	-	50,172	620,704	734,893	37,248	87,559	810	54,957	1,858,410	-
Government and government agencies	524	-	-	-	157,769	825,887	-	-	-	- 984,180	52,352
Purchase of securities	-	236,008	-	-	-	-	224,875	-	-	460,883	894,438
Others	-	-	-	-	15,581	-	3,589	33,534	-	52,704	30,000
	272,591	236,008	50,172	632,119	1,266,529	868,134	316,023	36,344	54,957	3,732,877	977,790

44 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Group 30.06.2019	**Short-term funds and deposits and placements with financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Financial assets at fair value through profit or loss RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Loans and advances RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**	**On-balance sheet total RM'000**	**Credit related commitments and contingencies RM'000**
Agriculture	-	-	-	-	-	-	241	-	241	-
Manufacturing	-	-	-	-	-	-	449	-	449	-
Electricity, gas and water	-	-	20,441	158,837	-	-	550	-	179,828	-
Construction	-	-	96,776	10,290	4,988	-	1,179	-	113,233	1,000
Transport, storage and communications	-	-	63,813	26,098	-	-	64	-	89,975	-
Finance, insurance, real estate and business services	449,947	-	1,006,667	617,501	94,322	-	1,754	28,310	2,198,501	-
Government and government agencies	103	-	20,806	287,944	636,355	-	-	-	945,208	-
Purchase of securities	-	196,362	-	-	-	188,086	-	-	384,448	750,103
Others	-	-	-	10,245	-	17,204	40,409	-	67,858	18,860
	450,050	196,362	1,208,503	1,110,915	735,665	205,290	44,646	28,310	3,979,741	769,963

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2020	**Short-term funds and deposits and placements with financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Securities purchased under resale agreements RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Loans and advances RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**	**On-balance sheet total RM'000**	**Credit related commitments and contingencies RM'000**
Agriculture	-	-	-	-	-	-	-	1,499	-	1,499	-
Manufacturing	-	-	-	-	-	-	-	352	-	352	-
Electricity, gas and water	-	-	-	11,415	162,302		-	-	-	173,717	-
Construction	-	-	-	-	10,367	4,999	-	79	-	15,445	1,000
Transport, storage and communications	-	-	-	-	185,617	-	-	70	-	185,687	-
Finance, insurance, real estate and business services	270,477	-	50,172	620,704	734,893	37,248	87,559	810	54,957	1,856,820	-
Government and government agencies	524	-	-	-	157,769	825,887	-	-	-	984,180	52,352
Purchase of securities	-	236,008	-	-	-	-	224,875	-	-	460,883	894,438
Others	-	-	-		15,581		3,589	33,534	-	52,704	30,000
	271,001	236,008	50,172	632,119	1,266,529	868,134	316,023	36,344	54,957	3,731,287	977,790

Notes to the financial statements
for the financial year ended 30 June 2020 (continued)

44 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2019	**Short-term funds and deposits and placements with financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Financial assets at fair value through profit or loss RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Loans and advances RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**	**On-balance sheet total RM'000**	**Credit related commitments and contingencies RM'000**
Agriculture	-	-	-	-	-	-	241	-	241	-
Manufacturing	-	-	-	-	-	-	449	-	449	-
Electricity, gas and water	-	-	20,441	158,837	-	-	550	-	179,828	-
Construction	-	-	96,776	10,290	4,988	-	1,179	-	113,233	1,000
Transport, storage										-
and communications	-	-	63,813	26,098	-	-	64	-	89,975	-
Finance, insurance, real										-
estate and business										-
services	443,344	-	1,006,667	617,501	94,322	-	1,754	28,310	2,191,898	-
Government and										-
government agencies	103	-	20,806	287,944	636,355	-	-	-	945,208	-
Purchase of securities	-	196,362	-	-	-	188,086	-	-	384,448	750,103
Others	-	-		10,245		17,204	40,409	-	67,858	18,860
	443,447	196,362	1,208,503	1,110,915	735,665	205,290	44,646	28,310	3,973,138	769,963

44 Financial instruments (continued)

(e) Fair value measurement

The Group and the Bank measures 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 market 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 determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group’s and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (30 June 2019 - Nil).

44 Financial instruments (continued)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair values.

The Group 30.06.2020	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial assets at FVTPL	**18,121**	**632,119**	**1,432**	**651,672**
- money market instruments	**-**	**588,325**	**-**	**588,325**
- quoted securities	**18,121**	**-**	**-**	**18,121**
- unquoted securities	**-**	**43,794**	**1,432**	**45,226**
Financial investments at FVOCI	**-**	**1,266,529**	**-**	**1,266,529**
- money market instruments	**-**	**124,569**	**-**	**124,569**
- unquoted securities	**-**	**1,141,960**	**-**	**1,141,960**
Derivative financial assets	**-**	**54,957**	**-**	**54,957**
	18,121	**1,953,605**	**1,432**	**1,973,158**
Financial liability				
Derivative financial liabilities	**-**	**81,620**	**-**	**81,620**
30.06.2019				
Financial assets				
Financial assets at FVTPL	36,704	1,208,503	1,365	1,246,572
- money market instruments	-	1,016,994	-	1,016,994
- quoted securities	36,704	-	-	36,704
- unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- money market instruments	-	322,819	-	322,819
- unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	36,704	2,347,728	1,365	2,385,797
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310

44 Financial instruments (continued)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair values. (continued)

The Bank **30.06.2020**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at FVTPL	**18,033**	**632,119**	**1,432**	**651,584**
- money market instruments	**-**	**588,325**	**-**	**588,325**
- quoted securities	**18,033**	**-**	**-**	**18,033**
- unquoted securities	**-**	**43,794**	**1,432**	**45,226**
Financial investments at FVOCI	**-**	**1,266,529**	**-**	**1,266,529**
- money market instruments	**-**	**124,569**	**-**	**124,569**
- unquoted securities	**-**	**1,141,960**	**-**	**1,141,960**
Derivative financial assets	**-**	**54,957**	**-**	**54,957**
	18,033	**1,953,605**	**1,432**	**1,973,070**
Financial liability				
Derivative financial liabilities	**-**	**81,620**	**-**	**81,620**
30.06.2019				
Financial assets				
Financial assets at FVTPL	36,340	1,208,503	1,365	1,246,208
- money market instruments	-	1,016,994	-	1,016,994
- quoted securities	36,340	-	-	36,340
- unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- money market instruments	-	322,819	-	322,819
- unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	36,340	2,347,728	1,365	2,385,433
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310

There were no transfers between Level 1 and 2 during the financial year.

44 Financial instruments (continued)

(e) Fair value measurement (continued)

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

	The Group and the Bank	
	30.06.2020	30.06.2019
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	**1,365**	1,380
Fair value changes recognised in income statements	**67**	(15)
At 30 June	**1,432**	1,365

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 30.06.2020 RM'000	Fair value assets 30.06.2019 RM'000	Valuation technique	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group and the Bank					
Unquoted shares	**1,432**	1,365	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

44 Financial instruments (continued)

(e) Fair value measurement (continued)

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed:

The Group and the Bank 30.06.2020	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Financial assets					
Financial investments at amortised cost					
- money market instruments	**825,887**	**-**	**849,493**	**-**	**849,493**
- unquoted securities	**42,247**	**-**	**43,220**	**-**	**43,220**
Loans and advances	**316,023**	**-**	**316,060**	**-**	**316,060**
	1,184,157	**-**	**1,208,773**	**-**	**1,208,773**
Financial liabilities					
Deposits from customers	**737,747**	**-**	**737,750**	**-**	**737,750**
Deposits and placements of banks and other financial institutions	**2,073,211**	**-**	**2,073,215**	**-**	**2,073,215**
Subordinated obligations	**100,178**	**-**	**103,743**	**-**	**103,743**
	2,911,136	**-**	**2,914,708**	**-**	**2,914,708**

44 Financial instruments (continued)

(e) Fair value measurement (continued)

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed: (continued)

The Group and the Bank 30.06.2019	**Carrying amount RM'000**	**Fair value Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets					
Financial investments at amortised cost					
- money market instruments	636,356	-	644,371	-	644,371
- unquoted securities	99,309	-	100,101	-	100,101
	735,665	-	744,472	-	744,472
Financial liabilities					
Deposits from customers	748,004	-	748,004	-	748,004
Deposits and placements of banks and other financial institutions	2,422,120	-	2,422,120	-	2,422,120
Subordinated obligations	150,505	-	150,771	-	150,771
	3,320,629	-	3,320,895	-	3,320,895

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

44 Financial instruments (continued)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Loans and advances

The value of fixed rate loans with remaining maturity of less than one year and floating rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of expected credit loss, being the expected recoverable amount.

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are short term in nature.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

45 Offsetting financial assets and financial liabilities

In accordance with MFRS 132 'Financial Instrument: Presentation', the Group reports financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and securities purchased under resale agreements and obligations on securities sold under repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

45 Offsetting financial assets and financial liabilities (continued)

The Group and the Bank	Effects of offsetting on the statements of financial position			Related amounts not offset		
30.06.2020	**Gross Amount RM'000**	**Amounts Offset RM'000**	**Net amount reported on statements of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net Amount RM'000**
Financial assets						
Clients' and brokers' balances	**540,760**	**(304,752)**	**236,008**	**-**	**-**	**236,008**
Derivative financial assets	**54,957**	**-**	**54,957**	**(39,594)**	**(6,642)**	**8,721**
Securities purchased under resale agreements	**50,172**	**-**	**50,172**	**-**	**(50,172)**	**-**
Total assets	**645,889**	**(304,752)**	**341,137**	**(39,594)**	**(56,814)**	**244,729**
Financial liabilities						
Clients' and brokers' balances	**523,009**	**(304,752)**	**218,257**	**-**	**-**	**218,257**
Derivative financial liabilities	**81,620**	**-**	**81,620**	**(39,594)**	**(16,971)**	**25,055**
Total liabilities	**604,629**	**(304,752)**	**299,877**	**(39,594)**	**(16,971)**	**243,312**
30.06.2019						
Financial assets						
Clients' and brokers' balances	345,088	(148,726)	196,362	-	-	196,362
Derivative financial assets	28,310	-	28,310	(17,127)	(2,068)	9,115
Total assets	373,398	(148,726)	224,672	(17,127)	(2,068)	205,477

45 Offsetting financial assets and financial liabilities (continued)

The Group and the Bank	Effects of offsetting on the statements of financial position			Related amounts not offset		
30.06.2019	Gross Amount RM'000	Amounts Offset RM'000	Net amount reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net Amount RM'000
Financial liabilities						
Clients' and brokers' balances	331,849	(148,726)	183,123	-	-	183,123
Derivative financial liabilities	34,310	-	34,310	(17,127)	(6,330)	10,853
Total liabilities	366,159	(148,726)	217,433	(17,127)	(6,330)	193,976

Related amounts not offset

Derivative financial assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

46 Equity compensation benefit

Executive Share Option Scheme ("ESOS" or "Scheme")

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank's immediate holding company, HLCB which was approved by the shareholders of HLCB on 8 November 2005, was established on 23 January 2006 and had been in force for a period of ten (10) years. The ESOS had expired on 23 January 2016.

There were no options outstanding as at reporting date.

The number and market value of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	30.06.2020		30.06.2019	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	**105**	**87**	105	113

47 Significant events during the financial year

COVID-19 pandemic

Due to a significant worsening of the macro-economic outlook as a result of the COVID-19 situation, both domestically and globally, and a potential impact of second wave of pandemic, the Group and the Bank, based on preliminary assessment, expect that the current situation to have impact on the Group and the Bank's Investment Banking's earnings for the coming year.

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group and the Bank will continue monitoring the situation closely and continue to assess the impact on the Group and the Bank's earnings as the situation develops.

48 Significant events subsequent to the financial year

There were no significant events subsequent to the financial year that require disclosure or adjustments to the financial statements

49 Changes in accounting policies

Adoption of MFRS 16 'Leases'

During the financial year, the Group and the Bank have adopted MFRS 16. The Group and the Bank have elected to use simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

On adoption of MFRS 16, the Group and the Bank 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 lessee's incremental borrowing rate as of 1 July 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is as follows:

	%
• within one year	3.83
• within one to two years	3.97
• within two to three years	4.11

The associated right-of-use ('ROU') assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

For leases previously classified as finance leases, the Group and the Bank recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU assets and the lease liability at the DIA. The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related ROU assets immediately after the DIA.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As at 1 July 2019, the change in accounting policies has affected the following items:

- ROU assets and lease liabilities increased by RM22,922,000 and RM21,132,000 for the Group and the Bank
- Deferred tax assets and liabilities increased by RM5,072,000

49 Changes in accounting policies (continued)

Adoption of MFRS 16 'Leases' (continued)

There was no impact on retained earnings on 1 July 2019.

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

	The Group and the Bank
	RM'000
Description	
Operating lease commitments disclosed as at 30 June 2019	**5,607**
Less: Discounted using the incremental borrowing rate at the date of initial application	**(345)**
Less: Short-term leases recognised on a straight-line basis as expense	**(10)**
Less: Low-value leases recognised on a straight line basis as expense	**(73)**
Add: Adjustments as a result of a different treatment of extension and termination options	**15,953**
Lease liabilities as at 1 July 2019	**21,132**

Details of specific MFRS 16 accounting policies applied in current period (as well as the previous MFRS 117 accounting policies applied in the comparative period) are described in more details in Note L.

50 Approval of financial statements

The financial statements were authorised for issue by the Board of Directors of the Bank in accordance with a resolution of the Directors on 11 September 2020.

Hong Leong Investment Bank Berhad
Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Mohzani bin Abdul Wahab and Tan Kong Khoon, being two of the Directors of Hong Leong Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 26 to 165 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2020 and the financial performance of the Group and the Bank for the financial year ended 30 June 2020, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 September 2020.

Dato' Mohzani bin Abdul Wahab
Director

Tan Kong Khoon
Director

Kuala Lumpur
11 September 2020

Statutory declaration pursuant to Section 251(1) of the Companies Act 2016

I, Lau Yew Sun, the Officer primarily responsible for the financial management of Hong Leong Investment Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 165 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Lau Yew Sun (MIA No. 8752)
at Kuala Lumpur in Wilayah Persekutuan on
11 September 2020

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA,
50490 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197001000928 (10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 26 to 165.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197001000928 (10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197001000928 (10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197001000928 (10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2020