

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.09.2020	30.06.2020	30.09.2020	30.06.2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		162,906	272,603	162,802	271,013
Securities purchased under resale agreements		50,524	50,172	50,524	50,172
Deposits and placements with banks and other financial institutions		100,213	-	100,213	-
Financial assets at fair value through profit or loss ("FVTPL")	8	801,839	651,672	801,751	651,584
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,346,299	1,266,529	1,346,299	1,266,529
Financial investments at amortised cost	10	877,081	868,134	877,081	868,134
Derivative financial assets	17	55,792	54,957	55,792	54,957
Loans and advances	11	335,299	316,023	335,299	316,023
Clients' and brokers' balances	12	262,387	236,008	262,387	236,008
Other assets	13	67,739	37,667	67,733	37,660
Investment in subsidiaries		-	-	200	200
Deferred tax assets		79,423	85,925	79,423	85,925
Property and equipment	14	9,222	9,267	9,222	9,267
Right-of-use assets ("ROU")		18,627	19,486	18,627	19,486
Intangible assets - computer software		2,112	2,394	2,112	2,394
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		4,198,449	3,899,823	4,198,451	3,898,338
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	863,803	737,747	863,803	737,747
Deposits and placements of banks and other financial institutions	16	2,089,523	2,073,211	2,089,523	2,073,211
Derivative financial liabilities	17	82,226	81,620	82,226	81,620
Clients' and brokers' balances		244,409	218,257	244,409	218,257
Lease liabilities		17,440	18,184	17,440	18,184
Provision for tax		-	7	-	-
Other liabilities	18	203,611	116,341	203,682	114,938
Subordinated obligations	19	101,245	100,178	101,245	100,178
TOTAL LIABILITIES		3,602,257	3,345,545	3,602,328	3,344,135
EQUITY					
Share capital		252,950	252,950	252,950	252,950
Reserves		343,242	301,328	343,173	301,253
TOTAL EQUITY		596,192	554,278	596,123	554,203
TOTAL EQUITY AND LIABILITIES		4,198,449	3,899,823	4,198,451	3,898,338
COMMITMENTS AND CONTINGENCIES					
	27	7,196,015	6,967,399	7,196,015	6,967,399
Net assets per ordinary share (RM)		3.61	3.36	3.61	3.36

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	27,329	27,757	27,329	27,757
Interest income for financial assets at FVTPL	20b	9,130	9,865	9,130	9,865
Interest expense	21	(23,675)	(28,839)	(23,675)	(28,839)
Net interest income		12,784	8,783	12,784	8,783
Non-interest income	22	58,056	33,250	58,056	33,250
Net income		70,840	42,033	70,840	42,033
Overhead expenses	23	(30,259)	(27,833)	(30,259)	(27,833)
Operating profit before allowances		40,581	14,200	40,581	14,200
Write-back of/(allowance for) impairment losses on loans and advances	24	2,679	(176)	2,679	(176)
Write-back of impairment losses on financial investments and other financial assets	25	171	19	171	19
Profit before taxation		43,431	14,043	43,431	14,043
Taxation		(5,333)	1,709	(5,333)	1,709
Net profit for the financial period		38,098	15,752	38,098	15,752
Earnings per share (sen)					
- Basic		23.1	9.5	23.1	9.5
- Diluted		23.1	9.5	23.1	9.5

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

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

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

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	38,098	15,752	38,098	15,752
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	7,613	3,961	7,613	3,961
- Net loss on disposal	(2,740)	(6,036)	(2,740)	(6,036)
- Net changes in expected credit losses	112	41	112	41
Income tax relating to net fair value changes on financial investments at FVOCI	(1,169)	498	(1,169)	498
Other comprehensive income/(expense) for the financial period, net of tax	3,816	(1,536)	3,816	(1,536)
Total comprehensive income for the financial period, net of tax	41,914	14,216	41,914	14,216

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	27,323	27,731	27,323	27,731
Interest income for financial assets at FVTPL	20b	9,130	9,865	9,130	9,865
Interest expense	21	(23,675)	(28,839)	(23,675)	(28,839)
Net interest income		12,778	8,757	12,778	8,757
Non-interest income	22	58,030	33,193	58,030	33,193
Net income		70,808	41,950	70,808	41,950
Overhead expenses	23	(30,221)	(27,786)	(30,221)	(27,786)
Operating profit before allowances		40,587	14,164	40,587	14,164
Write-back of/(allowance for) impairment losses on loans and advances	24	2,679	(176)	2,679	(176)
Write-back of impairment losses on financial investments and other financial assets	25	171	19	171	19
Profit before taxation		43,437	14,007	43,437	14,007
Taxation		(5,333)	1,717	(5,333)	1,717
Net profit for the financial period		38,104	15,724	38,104	15,724
Earnings per share (sen)					
- Basic		23.1	9.5	23.1	9.5
- Diluted		23.1	9.5	23.1	9.5

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	38,104	15,724	38,104	15,724
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	7,613	3,961	7,613	3,961
- Net loss on disposal	(2,740)	(6,036)	(2,740)	(6,036)
- Net changes in expected credit losses	112	41	112	41
Income tax relating to net fair value changes on financial investments at FVOCI	(1,169)	498	(1,169)	498
Other comprehensive income/(expense) for the financial period, net of tax	3,816	(1,536)	3,816	(1,536)
Total comprehensive income for the financial period, net of tax	41,920	14,188	41,920	14,188

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

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
 UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

<u>The Group</u>	Attributable to owner of the parent				Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
At 1 July 2020	252,950	12,076	9,349	279,903	554,278
Net profit for the financial period	-	-	-	38,098	38,098
Other comprehensive income, net of tax	-	-	3,816	-	3,816
Total comprehensive income for the financial period	-	-	3,816	38,098	41,914
Transfer to regulatory reserve	-	1,383	-	(1,383)	-
At 30 September 2020	252,950	13,459	13,165	316,618	596,192
At 1 July 2019	252,950	11,606	7,794	238,190	510,540
Net profit for the financial period	-	-	-	15,752	15,752
Other comprehensive expense, net of tax	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income for the financial period	-	-	(1,536)	15,752	14,216
Transfer from regulatory reserve	-	(77)	-	77	-
At 30 September 2019	252,950	11,529	6,258	254,019	524,756

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

HONG LEONG INVESTMENT BANK BERHAD

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Non-distributable			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
<u>The Bank</u>					
At 1 July 2020	252,950	12,076	9,349	279,828	554,203
Net profit for the financial period	-	-	-	38,104	38,104
Other comprehensive income, net of tax	-	-	3,816	-	3,816
Total comprehensive income for the financial period	-	-	3,816	38,104	41,920
Transfer to regulatory reserve	-	1,383	-	(1,383)	-
At 30 September 2020	252,950	13,459	13,165	316,549	596,123
At 1 July 2019	252,950	11,606	7,794	237,920	510,270
Net profit for the financial period	-	-	-	15,724	15,724
Other comprehensive expense, net of tax	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income for the financial period	-	-	(1,536)	15,724	14,188
Transfer from regulatory reserve	-	(77)	-	77	-
At 30 September 2019	252,950	11,529	6,258	253,721	524,458

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	The Group		The Bank	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	43,431	14,043	43,437	14,007
Adjustments for non-cash items	(18,705)	(10,580)	(18,705)	(10,577)
Operating profit before changes in working capital	24,726	3,463	24,732	3,430
Changes in working capital:				
Net changes in operating assets	(225,397)	422,629	(225,399)	422,605
Net changes in operating liabilities	255,790	(517,317)	257,264	(510,745)
Net income tax paid	(8)	(8)	-	-
Net cash generated from/(used in) operating activities	55,111	(91,233)	56,597	(84,710)
Net cash used in investing activities	(63,636)	(22,604)	(63,636)	(22,607)
Net cash used in financing activities	(959)	(990)	(959)	(990)
Net changes in cash and cash equivalents	(9,484)	(114,827)	(7,998)	(108,307)
Cash and cash equivalents at beginning of financial period	272,603	450,062	271,013	443,459
Cash and cash equivalents at end of financial period	263,119	335,235	263,015	335,152
Cash and cash equivalents comprise:				
Cash and short term funds	162,906	335,235	162,802	335,152
Deposit and placements with bank and other financial institutions	100,213	-	100,213	-
	263,119	335,235	263,015	335,152

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

EXPLANATORY NOTES

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2020 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2020. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 30 June 2020.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2020:

- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

The adoption of these amendments to MFRSs did not have any significant financial impact on the results of the Group and the Bank.

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

2. Audit report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or cyclicity of operations

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

4. Items affecting net income and cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 30 September 2020.

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EXPLANATORY NOTES

5. Changes in estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 30 September 2020.

6. Issuance and repayments

Save as detailed below, there were no other new shares issuance, no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 September 2020.

7. Dividends

There were no dividends paid during the financial quarter ended 30 September 2020.

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

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	86,303	-	86,303	-
Malaysian Government Investment Issues	22,389	-	22,389	-
Negotiable instruments of deposits	648,677	588,325	648,677	588,325
	757,369	588,325	757,369	588,325
Quoted securities				
In Malaysia:				
Shares	28,411	18,033	28,411	18,033
Unit trust investment	88	88	-	-
	28,499	18,121	28,411	18,033
Unquoted securities				
Shares	-	1,432	-	1,432
Corporate bond and/or sukuk	15,971	43,794	15,971	43,794
	15,971	45,226	15,971	45,226
	801,839	651,672	801,751	651,584

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EXPLANATORY NOTES

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

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	30,528	41,229
Malaysian Government Investment Issues	74,219	52,982
Cagamas bonds	75,842	30,358
	180,589	124,569
Unquoted securities		
Foreign currency bonds	125,866	72,260
Corporate bond and/or sukuk	1,039,844	1,069,700
	1,165,710	1,141,960
	1,346,299	1,266,529

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

	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	(Stage 1)	impaired	impaired	
The Group and the Bank	RM'000	RM'000	RM'000	RM'000
At 1 July 2020	341	-	-	341
Allowances made	25	-	-	25
Amount written back	(5)	-	-	(5)
New financial assets originated or purchased	113	-	-	113
Financial assets derecognised	(23)	-	-	(23)
Exchange differences	2	-	-	2
At 30 September 2020	453	-	-	453
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

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EXPLANATORY NOTES

10. Financial investments at amortised cost

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	397,421	291,869
Malaysian Government Investment Issues	419,755	534,018
	817,176	825,887
Unquoted securities		
Foreign currency bonds	16,625	16,964
Corporate bond and/or sukuk	43,295	25,298
	59,920	42,262
Less: Expected credit losses	(15)	(15)
	877,081	868,134

Movements in expected credit losses of financial investments at amortised cost 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 2020	15	-	-	15
Financial assets derecognised	-	-	-	-
Exchange differences	-	-	-	-
At 30 September 2020	15	-	-	15
At 1 July 2019	36	-	-	36
New financial assets originated or purchased	(22)	-	-	(22)
Exchange differences	1	-	-	1
At 30 June 2020	15	-	-	15

11. Loans and advances

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Term loan financing	89,123	93,935
Share margin financing	246,782	225,398
Staff loans	43	44
Other loans	281	281
Gross loans and advances	336,229	319,658
Less: Expected credit losses	(930)	(3,635)
Total net loans and advances	335,299	316,023

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
(i) Gross loans and advances disbursed by type of customers		
Domestic business enterprises		
- Small and medium enterprises	58,339	57,941
- Others	119,772	124,759
Individuals	154,269	133,221
Foreign entities	3,849	3,737
	336,229	319,658
(ii) Gross loans and advances analysed by interest rate sensitivity		
Variable rate	335,905	319,333
Fixed rate		
- Staff housing loans	43	44
- Other fixed rate loans	281	281
	336,229	319,658
(iii) Gross loans and advances analysed by residual contractual maturity		
Maturing within one year	282,172	265,733
One year to three years	48,006	48,006
Three years to five years	43	44
Over five years	6,008	5,875
	336,229	319,658
(iv) Loans and advances analysed by their economic purposes		
Working capital	53,876	53,882
Purchase of securities	282,029	265,451
Purchase of transport vehicles	126	126
Purchase of landed properties	198	199
	336,229	319,658
(v) Gross loans and advances analysed by geographical distribution		
Malaysia	336,229	319,658
(vi) Impaired loans and advances		
(a) Movements in impaired loans and advances		
At 1 July	6,522	6,898
Impaired during the financial period/year	21	34,066
Amount written-back during the financial period/year	(6,263)	(34,442)
At 30 September/30 June	280	6,522

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
(vi) Impaired loans and advances (continued)		
(b) By economic purposes		
Purchase of transport vehicles	126	126
Purchase of landed properties	154	155
Purchase of securities	-	366
Working capital	-	5,875
	280	6,522

(vii) 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 2020	656	1	2,978	3,635
Transferred to Stage 1	211	(1)	(210)	-
Transferred to Stage 2	(2)	2,331	(2,329)	-
New financial assets originated	4	-	-	4
Allowance made	19	-	2	21
Allowance written-back	(240)	(2,175)	(315)	(2,730)
At 30 September 2020	648	156	126	930
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

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EXPLANATORY NOTES

12. Clients' and brokers' balances

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Performing accounts	259,358	234,383
Impaired accounts	4,398	3,651
	263,756	238,034
Less: Expected credit losses	(1,369)	(2,026)
	262,387	236,008

13. Other assets

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	1	-	-	-
Amount due from holding company	153	130	153	130
Amount due from related companies	241	-	241	-
Deposits and prepayments	12,599	12,652	12,594	12,645
Fee income receivables	4,230	6,175	4,230	6,175
Collaterals pledged for derivative transactions	16,487	17,673	16,487	17,673
Treasury related receivables	32,412	-	32,412	-
Other receivables	3,418	2,465	3,418	2,465
	69,541	39,095	69,535	39,088
Less: Expected credit losses	(1,802)	(1,428)	(1,802)	(1,428)
	67,739	37,667	67,733	37,660

14. Valuation of property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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15. Deposits from customers

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Fixed Deposit	863,803	737,747
(i) The deposits are sourced from the following customers:		
Government & statutory bodies	640,127	515,109
Business enterprises	208,918	207,466
Individuals	14,758	15,172
	863,803	737,747
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	863,803	720,239
- six months to one year	-	17,508
	863,803	737,747

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Licensed banks	166,419	228,601
Licensed investment banks	-	75,304
Other financial institutions	1,923,104	1,769,306
	2,089,523	2,073,211

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17. Derivative financial assets/(liabilities)

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
30.09.2020			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	4,000,000	47,649	(71,089)
- futures	11,232	-	(40)
- cross currency swaps	83,200	2,717	-
(ii) Foreign exchange related contracts:			
- foreign currency swaps	1,760,480	5,186	(4,735)
- foreign currency forwards	255,348	176	(3,478)
(iii) Equity related contracts:			
- Futures	10,137	64	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,884)
	6,190,397	55,792	(82,226)
30.06.2020			
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	70,000	-	(2,510)
	5,989,609	54,957	(81,620)

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18. Other liabilities

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Amount due to related companies	-	14	-	14
Remisiers' trust deposits	15,305	13,465	15,305	13,465
Treasury related payables	86,656	40,099	86,656	40,099
Advance payments received for corporate exercise	248	248	248	248
Other payables and accrued liabilities	101,186	62,300	101,257	60,897
Provision for post employment benefits	216	215	216	215
	203,611	116,341	203,682	114,938

19. Subordinated obligations

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	1,252	185
	101,252	100,185
Less: Unamortised discounts	(7)	(7)
	101,245	100,178

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

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

On 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.

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20a. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances	3,644	3,252	3,644	3,252
Money at call and deposit placements with financial institutions	1,589	3,750	1,589	3,750
Financial investments at FVOCI	10,272	10,013	10,272	10,013
Financial investments at amortised cost	7,480	6,887	7,480	6,887
Others	4,344	3,855	4,344	3,855
Total interest income	27,329	27,757	27,329	27,757

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances	3,644	3,252	3,644	3,252
Money at call and deposit placements with financial institutions	1,583	3,724	1,583	3,724
Financial investments at FVOCI	10,272	10,013	10,272	10,013
Financial investments at amortised cost	7,480	6,887	7,480	6,887
Others	4,344	3,855	4,344	3,855
Total interest income	27,323	27,731	27,323	27,731

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20b. Interest income for financial assets at FVTPL

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	9,130	9,865	9,130	9,865

21. Interest expense

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1,310	5,517	1,310	5,517
Deposits from customers	10,617	17,278	10,617	17,278
Derivative financial instruments	10,469	3,928	10,469	3,928
Subordinated obligations	1,067	1,820	1,067	1,820
Lease liabilities	215	291	215	291
Others	(3)	5	(3)	5
	23,675	28,839	23,675	28,839

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22. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 30.09.2020 RM'000	Last year's quarter ended 30.09.2019 RM'000	Current year ended 30.09.2020 RM'000	Last year's ended 30.09.2019 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	917	1,381	917	1,381
Arranger fees	53	853	53	853
Underwriting commissions	129	-	129	-
Placement fees	730	709	730	709
Brokerage income	41,767	12,492	41,767	12,492
Fees on loans and advances	38	77	38	77
Commission from future contracts	237	390	237	390
Other fee income	1,302	3,460	1,302	3,460
	45,173	19,362	45,173	19,362
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	(2,347)	4,944	(2,347)	4,944
- financial investments at FVOCI	10,045	10,265	10,045	10,265
- derivative financial instruments	(15,952)	13,655	(15,952)	13,655
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	2,189	(2,086)	2,189	(2,086)
- derivative financial instruments	737	(6,484)	737	(6,484)
Dividend income from:				
- financial assets at FVTPL	217	516	217	516
Net unrealised loss on fair value changes arising from fair value hedges				
	(530)	-	(530)	-
	(5,641)	20,810	(5,641)	20,810
<u>Other income:</u>				
Foreign exchange gain/(loss)	18,516	(6,931)	18,516	(6,931)
Other non-operating income	8	9	8	9
	18,524	(6,922)	18,524	(6,922)
Total non-interest income	58,056	33,250	58,056	33,250

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22. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	917	1,381	917	1,381
Arranger fees	53	853	53	853
Underwriting commissions	129	-	129	-
Placement fees	730	709	730	709
Brokerage income	41,767	12,492	41,767	12,492
Fees on loans and advances	38	77	38	77
Commission from future contracts	237	390	237	390
Other fee income	1,276	3,406	1,276	3,406
	45,147	19,308	45,147	19,308
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	(2,347)	4,944	(2,347)	4,944
- financial investments at FVOCI	10,045	10,265	10,045	10,265
- derivative financial instruments	(15,952)	13,655	(15,952)	13,655
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	2,189	(2,086)	2,189	(2,086)
- derivative financial instruments	737	(6,484)	737	(6,484)
Dividend income from:				
- financial assets at FVTPL	217	513	217	513
Net unrealised loss on fair value changes arising from fair value hedges				
	(530)	-	(530)	-
	(5,641)	20,807	(5,641)	20,807
<u>Other income:</u>				
Foreign exchange gain/(loss)	18,516	(6,931)	18,516	(6,931)
Other non-operating income	8	9	8	9
	18,524	(6,922)	18,524	(6,922)
Total non-interest income	58,030	33,193	58,030	33,193

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23. Overhead expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	20,982	19,546	20,982	19,546
Promotion and marketing related expenses	122	331	122	331
Establishment related expenses	4,142	3,861	4,142	3,861
General administrative expenses	5,013	4,095	5,013	4,095
	30,259	27,833	30,259	27,833
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	19,516	17,583	19,516	17,583
Defined contribution plan	1,674	1,651	1,674	1,651
Other employee benefits	(208)	312	(208)	312
	20,982	19,546	20,982	19,546
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	1	-	1
Entertainment and business improvement	98	296	98	296
Others	24	34	24	34
	122	331	122	331
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	691	680	691	680
Amortisation of intangible assets	317	341	317	341
Depreciation of ROU assets	859	875	859	875
Rental expenses	24	8	24	8
Others	2,251	1,957	2,251	1,957
	4,142	3,861	4,142	3,861
(iv) General administrative expenses comprise the following:				
Management fee	1,481	571	1,481	571
Teletransmission expenses	1,670	1,654	1,670	1,654
Auditors' remuneration				
- Statutory audit fees	61	61	61	61
Legal and professional fees	687	677	687	677
Property and equipment written off	22	-	22	-
Others	1,092	1,132	1,092	1,132
	5,013	4,095	5,013	4,095

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23. Overhead expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	20,952	19,513	20,952	19,513
Promotion and marketing related expenses	122	331	122	331
Establishment related expenses	4,138	3,852	4,138	3,852
General administrative expenses	5,009	4,090	5,009	4,090
	30,221	27,786	30,221	27,786
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	19,490	17,555	19,490	17,555
Defined contribution plan	1,670	1,646	1,670	1,646
Other employee benefits	(208)	312	(208)	312
	20,952	19,513	20,952	19,513
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	1	-	1
Entertainment and business improvement	98	296	98	296
Others	24	34	24	34
	122	331	122	331
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	691	680	691	680
Amortisation of intangible assets	317	341	317	341
Depreciation of ROU assets	859	875	859	875
Rental expenses	20	8	20	8
Others	2,251	1,948	2,251	1,948
	4,138	3,852	4,138	3,852
(iv) General administrative expenses comprise the following:				
Management fee	1,481	570	1,481	570
Teletransmission expenses	1,670	1,654	1,670	1,654
Auditors' remuneration				
- Statutory audit fees	59	59	59	59
Legal and professional fees	685	675	685	675
Property and equipment written off	22	-	22	-
Others	1,092	1,132	1,092	1,132
	5,009	4,090	5,009	4,090

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24. Write-back of/(allowance for) for impairment losses on loans and advances

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Expected credit losses	2,705	(176)	2,705	(176)
Impaired loans and advances written-off	(26)	-	(26)	-
	2,679	(176)	2,679	(176)

25. Write-back of impairment losses on financial investments and other financial assets

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
(a) Financial investments				
(i) Financial investments at FVOCI	(112)	(41)	(112)	(41)
(ii) Financial investments at amortised cost	-	18	-	18
	(112)	(23)	(112)	(23)
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	657	12	657	12
- Impaired clients' and brokers' balances recovered	-	38	-	38
(ii) Other assets	(374)	(8)	(374)	(8)
	283	42	283	42
	171	19	171	19

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26. Related party transactions

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

27. 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.

	The Group and the Bank	
	30.09.2020	30.06.2020
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	8,615	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	50,524	52,352
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	30,000	30,000
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	915,479	894,438
	1,005,618	977,790
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,196,232	1,365,000
- Over one year to five years	2,918,200	3,030,700
- Over five years	50,000	110,000
Foreign exchange related contracts:		
- One year or less	2,015,828	1,483,909
Equity related contracts:		
- One year or less	10,137	-
	6,190,397	5,989,609
	7,196,015	6,967,399

EXPLANATORY NOTES

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company 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, unit trust investments 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.

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
30.09.2020	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	28,499	773,340	-	801,839
- Money market instruments	-	757,369	-	757,369
- Quoted securities	28,499	-	-	28,499
- Unquoted securities	-	15,971	-	15,971
Financial investments at FVOCI	-	1,346,299	-	1,346,299
- Money market instruments	-	180,589	-	180,589
- Unquoted securities	-	1,165,710	-	1,165,710
Derivative financial assets	-	55,792	-	55,792
	28,499	2,175,431	-	2,203,930
Financial liability				
Derivative financial liabilities	-	82,226	-	82,226
30.06.2020				
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

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
30.09.2020	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	28,411	773,340	-	801,751
- Money market instruments	-	757,369	-	757,369
- Quoted securities	28,411	-	-	28,411
- Unquoted securities	-	15,971	-	15,971
Financial investments at FVOCI	-	1,346,299	-	1,346,299
- Money market instruments	-	180,589	-	180,589
- Unquoted securities	-	1,165,710	-	1,165,710
Derivative financial assets	-	55,792	-	55,792
	28,411	2,175,431	-	2,203,842
Financial liability				
Derivative financial liabilities	-	82,226	-	82,226
30.06.2020				
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

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

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28. Fair value of financial instruments (continued)

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

	The Group and the Bank	
	30.09.2020	30.06.2020
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	1,432	1,365
Fair value changes recognised in income statements	-	67
Disposed during the financial period	(1,432)	-
At 30 September/30 June	-	1,432

29. Capital adequacy

The risk-weighted assets ("RWA") of 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.

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

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	38.683%	42.121%	38.677%	42.128%
Tier 1 capital ratio	38.683%	42.121%	38.677%	42.128%
Total capital ratio	48.385%	52.751%	48.384%	52.768%
After deducting proposed dividends:⁽¹⁾				
CET1 capital ratio	32.722%	35.498%	32.712%	35.500%
Tier 1 capital ratio	32.722%	35.498%	32.712%	35.500%
Total capital ratio	42.424%	46.129%	42.419%	46.139%

Note:

⁽¹⁾ Proposed dividends of RM66,000,000 (30.06.2020: RM66,000,000).

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29. Capital adequacy (continued)

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

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	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	279,903	279,828	279,828
Other reserves	13,165	9,349	13,165	9,349
Less: goodwill and intangibles	(31,098)	(31,380)	(31,098)	(31,380)
Less: deferred tax assets	(79,423)	(85,925)	(79,423)	(85,925)
Less: investment in subsidiary companies	-	-	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(7,241)	(5,142)	(7,241)	(5,142)
Total CET1 Capital	428,256	419,755	427,981	419,480
Tier 1 Capital	428,256	419,755	427,981	419,480
Tier 2 Capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	7,412	5,940	7,412	5,940
Subordinated obligations	100,000	100,000	100,000	100,000
Total Tier 2 Capital	107,412	105,940	107,412	105,940
Total Capital	535,668	525,695	535,393	525,420

Note:

⁽²⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances.

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

	The Group		The Bank	
	30.09.2020	30.06.2020	30.09.2020	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Credit risk	592,994	476,447	592,967	476,122
Market risk	234,642	257,343	234,467	257,167
Operational risk	279,451	262,761	279,122	262,434
	1,107,087	996,551	1,106,556	995,723

EXPLANATORY NOTES

30. Significant events during the financial quarter ended 30 September 2020

COVID-19 pandemic

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.

31. Changes in the composition of the Group

There were no changes in composition of the Group since last financial quarter.

32. Significant events subsequent to the financial quarter

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited financial statements.

33. Review of performance for the financial quarter ended 30 September 2020 against the corresponding financial quarter

For the current financial quarter ended 30 September 2020, the Group recorded a profit before tax of RM43.4 million, as compared to a RM14.0 million recorded in the corresponding financial quarter. The increase in profit of RM29.4 million was primarily attributable to higher profit contribution from both its Stockbroking Division and Investment Banking Division.

EXPLANATORY NOTES

34. Prospects for 2021

The recovery of the global and domestic economy is expected to start in the second half of 2020 as businesses and activities were allowed to gradually resume operations. However, we believe the pace of recovery will remain dependent on the availability of a medical solution. Beyond the COVID-19 outbreak, other downside risks persist as the US goes through its presidential election year and the trade tension between US and China remain unresolved which will have impact to the global economy. Nevertheless, we expect Malaysia to weather the crisis from a position of strength owing to its diverse economic structure, sound macro fundamentals, strong institutions and policy flexibility.

We view the COVID-19 outbreak and consequential Movement Control Order ("MCO") as a catalyst to sharpen our business continuity measures and to further accelerate innovating the way we do business. The Group will continue to be proactive in harnessing digital technologies to build an operating environment that our stakeholders expect. To achieve this, we will continue to invest in technology to further enhance our efficiency and productivity as well as to adjust to the new normal.

Enhancing and tightening cybersecurity will also be one of our focus moving into FY2021. As the Group is progressively changing its way of doing business to cope with the new normal and more focus put on serving our clients through digital channels which created a surge in demand for digital capabilities, products and services, there are new risks that our cybersecurity team need to address to support business continuity while protecting our business and clients.

Going forward and in view of the recent imposed Conditional Movement Control Order ("CMCO", the Group will continue to execute our business strategies, sharpen our business continuity measures and continue to improve on our digital solutions as well as manage cost efficiency and drive productivity with the objective to deliver long-term sustainable growth as well as increase shareholder value.