

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
<b>THE GROUP</b>		
<b>Assets</b>		
Cash and short-term funds	8,482,683	6,930,705
Deposits and placements with banks and other financial institutions	2,095,657	7,190,479
Financial assets at fair value through profit or loss	31,668,756	28,039,213
Financial investments at fair value through other comprehensive income	31,776,193	35,801,058
Financial investments at amortised cost	29,539,126	24,694,193
Derivative financial instruments	895,814	1,051,628
Loans, advances and financing	158,972,175	154,778,757
Clients' and brokers' balances	580,519	526,781
Other receivables	1,294,154	2,119,230
Statutory deposits with Central Banks	493,924	493,605
Tax recoverable	28,149	55,975
Deferred tax assets	107,769	19,253
Investment in associated companies	7,311,409	6,872,915
Property and equipment	1,311,186	1,355,232
Right-of-use assets	195,834	210,694
Investment properties	469,610	469,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	289,025	259,994
<b>Total Assets</b>	<b>277,922,627</b>	<b>273,279,966</b>
<b>Liabilities</b>		
Deposits from customers	188,233,468	181,768,820
Investment accounts of customers	1,039,346	1,145,154
Deposits and placements of banks and other financial institutions	10,522,752	14,179,461
Obligations on securities sold under repurchase agreements	5,247,362	742,750
Bills and acceptances payable	155,205	189,642
Derivative financial instruments	1,136,293	970,951
Clients' and brokers' balances	379,012	207,183
Payables and other liabilities	12,259,022	16,868,141
Lease liabilities	192,434	204,872
Recourse obligations on loans/financing sold to Cagamas Berhad	1,328,263	1,033,839
Provision for claims	265,084	247,366
Provision for taxation	517,519	380,809
Borrowings	467,012	662,026
Subordinated obligations	2,207,385	2,207,179
Multi-currency Additional Tier 1 capital securities	806,672	806,555
Insurance funds	18,323,368	17,731,780
<b>Total Liabilities</b>	<b>243,080,197</b>	<b>239,346,528</b>
<b>Equity</b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,608,392	1,491,989
Retained profits	20,030,210	19,213,037
Fair value reserve	(182,109)	85,375
Treasury shares for ESOS	(236,039)	(238,970)
<b>Total Shareholders' Equity</b>	<b>23,487,462</b>	<b>22,818,439</b>
Non-controlling interests	11,354,968	11,114,999
<b>Total Equity</b>	<b>34,842,430</b>	<b>33,933,438</b>
<b>Total Liabilities and Equity</b>	<b>277,922,627</b>	<b>273,279,966</b>
<b>Commitments and Contingencies</b>	<b>248,147,219</b>	<b>285,689,569</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	20.71	20.13

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

THE GROUP	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2021 RM '000	quarter ended 31/12/2020 RM '000	to date 31/12/2021 RM '000	to date 31/12/2020 RM '000
Interest income	1,419,666	1,416,240	2,808,240	2,833,326
Interest income for financial assets at fair value through profit or loss	65,566	51,044	130,879	102,411
Interest expense	(499,514)	(578,610)	(1,000,686)	(1,223,140)
Net interest income	985,718	888,674	1,938,433	1,712,597
Income from Islamic banking business	232,996	234,228	441,085	452,808
Non-interest income	325,589	496,472	724,080	952,772
Net income	1,544,303	1,619,374	3,103,598	3,118,177
Overhead expenses	(581,262)	(596,176)	(1,160,598)	(1,196,800)
Operating profit before allowances	963,041	1,023,198	1,943,000	1,921,377
Allowance for impairment losses on loans, advances and financing and other losses	(33,200)	(240,631)	(81,719)	(341,689)
Writeback of/(allowance for) impairment losses on other assets	429	360	617	(313)
	930,270	782,927	1,861,898	1,579,375
Share of results of associated companies	271,339	184,292	514,104	375,605
Profit before taxation	1,201,609	967,219	2,376,002	1,954,980
Taxation	(362,751)	(172,039)	(572,572)	(304,969)
Net profit for the financial period	838,858	795,180	1,803,430	1,650,011
Attributable to:				
Owners of the parent	559,486	527,582	1,200,048	1,114,615
Non-controlling interests	279,372	267,598	603,382	535,396
Net profit for the financial period	838,858	795,180	1,803,430	1,650,011
Earnings per share - basic (sen)	49.3	46.5	105.8	98.3

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	838,858	795,180	1,803,430	1,650,011
Other comprehensive income in respect of:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive income/(loss) of associated companies	11,202	(17,428)	5,196	(24,075)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(230,311)	(67,210)	(532,810)	91,614
- Changes in expected credit losses	(165)	(186)	(363)	(115)
Net fair value changes in cash flow hedge	3,616	1,405	5,864	1,357
Currency translation differences	53,378	(15,978)	116,724	(33,001)
Income tax relating to components of other comprehensive income	49,507	15,336	119,769	(18,310)
Other comprehensive (loss)/income for the financial period, net of tax	(112,773)	(84,061)	(285,620)	17,470
Total comprehensive income for the financial period, net of tax	726,085	711,119	1,517,810	1,667,481
Attributable to:				
Owners of the parent	485,293	470,056	1,012,072	1,122,563
Non-controlling interests	240,792	241,063	505,738	544,918
	726,085	711,119	1,517,810	1,667,481

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	30,342	10,614
Deposits and placements with banks and other financial institutions	3,360	3,360
Other receivables	4,921	1,972
Tax recoverable	701	10,836
Deferred tax assets	341	184
Investment in subsidiary companies	19,458,368	19,458,252
Property and equipment	2,929	3,189
Right-of-use assets	4,545	5,015
Intangible assets	88	107
<b>Total Assets</b>	<b>19,505,595</b>	<b>19,493,529</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	21,197	17,220
Lease liabilities	4,680	5,099
Borrowings	466,912	687,361
Subordinated obligations	1,601,564	1,601,242
Multi-currency Additional Tier 1 capital securities	806,232	805,975
<b>Total Liabilities</b>	<b>2,900,585</b>	<b>3,116,897</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	260,731	279,206
Retained profits	14,254,927	14,011,005
Treasury shares for ESOS	(177,656)	(180,587)
<b>Total Equity</b>	<b>16,605,010</b>	<b>16,376,632</b>
<b>Total Liabilities and Equity</b>	<b>19,505,595</b>	<b>19,493,529</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2021	quarter ended 31/12/2020	to date 31/12/2021	to date 31/12/2020
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	27,951	28,108	55,841	56,036
Interest expense	(32,033)	(35,396)	(66,291)	(74,144)
Net interest expense	(4,082)	(7,288)	(10,450)	(18,108)
Non-interest income	65,268	398,097	585,242	399,586
Net income	61,186	390,809	574,792	381,478
Overhead expenses	(6,174)	(7,031)	(14,222)	(14,338)
Allowance for impairment losses on other assets	(196)	(196)	(1)	(1)
Profit before taxation	54,816	383,582	560,569	367,139
Taxation	54	(152)	70	(293)
Net profit for the financial period	<u>54,870</u>	<u>383,430</u>	<u>560,639</u>	<u>366,846</u>
Earnings per share - basic (sen)	<u>4.8</u>	<u>33.7</u>	<u>49.3</u>	<u>32.2</u>

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2021	quarter ended 31/12/2020	to date 31/12/2021	to date 31/12/2020
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	54,870	383,430	560,639	366,846
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	<u>54,870</u>	<u>383,430</u>	<u>560,639</u>	<u>366,846</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.*

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 2021	2,267,008	437,103	85,375	(3,959)	213,314	96,305	749,226	19,213,037	(238,970)	22,818,439	11,114,999	33,933,438
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,200,048	-	1,200,048	603,382	1,803,430
Currency translation differences	-	-	-	-	-	-	76,586	-	-	76,586	40,138	116,724
Share of other comprehensive income of associated companies	-	-	3,592	-	-	-	-	-	-	3,592	1,604	5,196
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(270,836)	-	-	-	-	-	-	(270,836)	(140,799)	(411,635)
- Changes in expected credit losses	-	-	(240)	-	-	-	-	-	-	(240)	(123)	(363)
Net fair value changes in cash flow hedge	-	-	-	2,922	-	-	-	-	-	2,922	1,536	4,458
Total comprehensive (loss)/income	-	-	(267,484)	2,922	-	-	76,586	1,200,048	-	1,012,072	505,738	1,517,810
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	69,849	-	-	-	-	-	(69,849)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,076)	-	(4,076)	4,076	-
Dividends paid	-	-	-	-	-	-	-	(332,261)	-	(332,261)	-	(332,261)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(274,356)	(274,356)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,511	4,511
Options charge arising from executive share scheme	-	-	-	-	-	(19,918)	-	15,605	-	(4,313)	-	(4,313)
Exercise of executive share scheme	-	-	-	-	-	(13,036)	-	7,706	2,931	(2,399)	-	(2,399)
<b>As at 31 December 2021</b>	<b>2,267,008</b>	<b>506,952</b>	<b>(182,109)</b>	<b>(1,037)</b>	<b>213,314</b>	<b>63,351</b>	<b>825,812</b>	<b>20,030,210</b>	<b>(236,039)</b>	<b>23,487,462</b>	<b>11,354,968</b>	<b>34,842,430</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

<b>THE GROUP</b>	<b>Share capital</b>	<b>Regulatory reserves#</b>	<b>Fair value reserve</b>	<b>Cash flow hedge reserve</b>	<b>Other reserves</b>	<b>Share options reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Treasury shares for ESOS</b>	<b>Total shareholders' equity</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 July 2020	2,267,008	860,504	248,248	(5,570)	213,314	74,895	568,102	16,910,345	(238,834)	20,898,012	10,154,739	31,052,751
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,114,615	-	1,114,615	535,396	1,650,011
Currency translation differences	-	-	-	-	-	-	(25,085)	-	-	(25,085)	(7,916)	(33,001)
Share of other comprehensive loss of associated companies	-	-	(16,230)	-	-	-	-	-	-	(16,230)	(7,845)	(24,075)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	48,657	-	-	-	-	-	-	48,657	24,973	73,630
- Changes in expected credit losses	-	-	(69)	-	-	-	-	-	-	(69)	(46)	(115)
Net fair value changes in cash flow hedge	-	-	-	675	-	-	-	-	-	675	356	1,031
Total comprehensive income/(loss)	-	-	32,358	675	-	-	(25,085)	1,114,615	-	1,122,563	544,918	1,667,481
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(272,078)	-	-	-	-	-	272,078	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(10,875)	-	(10,875)	10,875	-
Dividends paid	-	-	-	-	-	-	-	(284,470)	-	(284,470)	-	(284,470)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(156,945)	(156,945)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	(23,392)	(23,392)
Disposal of shares in subsidiary	-	-	-	-	-	-	-	29,342	-	29,342	98,550	127,892
Options charge arising from executive share scheme	-	-	-	-	-	17,689	-	-	-	17,689	-	17,689
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	(356)	-	2,887	-	2,531	-	2,531
<b>As at 31 December 2020</b>	<b>2,267,008</b>	<b>588,426</b>	<b>280,606</b>	<b>(4,895)</b>	<b>213,314</b>	<b>92,228</b>	<b>543,017</b>	<b>18,033,922</b>	<b>(238,970)</b>	<b>21,774,656</b>	<b>10,628,745</b>	<b>32,403,401</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM495,707,000 (31 December 2020: RM577,181,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 2020: RM11,245,000).

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

	<b>Share capital RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Retained profits RM '000</b>	<b>Total equity RM '000</b>
<b><u>THE COMPANY</u></b>						
As at 1 July 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net profit for the financial period	-	-	-	-	560,639	560,639
Dividends paid	-	-	-	-	(332,261)	(332,261)
Options charge arising from executive share scheme	-	-	(15,605)	-	15,605	-
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
<b>As at 31 December 2021</b>	<b>2,267,008</b>	<b>254,991</b>	<b>5,740</b>	<b>(177,656)</b>	<b>14,254,927</b>	<b>16,605,010</b>
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net profit for the financial period	-	-	-	-	366,846	366,846
Dividends paid	-	-	-	-	(284,470)	(284,470)
Options charge arising from executive share scheme	-	-	3,632	-	-	3,632
<b>As at 31 December 2020</b>	<b>2,267,008</b>	<b>254,991</b>	<b>20,583</b>	<b>(180,587)</b>	<b>13,970,799</b>	<b>16,332,794</b>

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

	The Group		The Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	2,376,002	1,954,980	560,569	367,139
Adjustment for non-cash items	(497,257)	534,685	(568,635)	(374,860)
Operating profit/(loss) before working capital changes	1,878,745	2,489,665	(8,066)	(7,721)
Income tax paid	(427,872)	(110,216)	9,847	(88)
Interest received	273	468	273	468
Changes in working capital				
Net changes in operating assets	(3,183,429)	(8,664,273)	(2,988)	337,756
Net changes in operating liabilities	2,701,658	6,570,851	4,159	815
Net cash generated from operating activities	969,375	286,495	3,225	331,230
<b>Cash flows from investing activities</b>				
Net sales/(purchases) of financial investments at fair value through other comprehensive income	3,708,435	(3,211,369)	-	-
Net purchases of financial investments at amortised cost	(4,844,933)	(2,125,583)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	683,449	663,578	-	-
Purchase of intangible assets	(16,236)	(9,307)	-	-
Purchase of property and equipment	(68,267)	(62,274)	(3)	(78)
Net proceeds from disposal of property and equipment	-	3,389	-	248
Dividends received from other investments	39,683	31,805	193	1,120
Dividends received from subsidiary companies	-	-	579,686	308,003
Dividends received from associated companies	79,954	11,993	-	-
Proceeds from disposal of shares in subsidiary	-	127,892	-	127,892
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	19,806	19,866
- Interest on subordinated obligations	-	-	35,645	35,584
Net cash (used in)/generated from investing activities	(417,915)	(4,569,876)	635,327	492,635
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Company	(332,261)	(284,470)	(332,261)	(284,470)
Dividends paid to non-controlling interests	(274,356)	(156,945)	-	-
Purchase of treasury shares	-	(136)	-	-
Cash received from executive share scheme exercised	915	3,242	-	-
Repayment of lease liabilities	(13,240)	(16,927)	(419)	(397)
Repayment of revolving credit	(25,000)	(105,000)	(25,000)	(105,000)
Proceeds from/(repayment of) commercial papers	9,000	(104,000)	9,000	(104,000)
Repayment of medium term notes	-	(220,000)	-	(250,000)
Repayment of senior notes	(170,000)	-	(200,000)	-
Repayment of term loans	(1,000)	(4,000)	(1,000)	(4,000)
Proceeds from subordinated obligations	-	290,000	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	300,000	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(20,208)	(20,270)	(20,208)	(20,270)
Interest paid on subordinated obligations	(47,314)	(41,971)	(36,209)	(36,146)
Interest paid on borrowings	(17,130)	(19,772)	(12,599)	(20,191)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(27,130)	(26,653)	-	-
Interest paid on lease liabilities	(4,340)	(4,910)	(128)	(150)
Net cash used in financing activities	(622,064)	(711,812)	(618,824)	(824,624)
Net (decrease)/increase in cash and cash equivalents	(70,604)	(4,995,193)	19,728	(759)
Effects of exchange rate changes	14,460	(91,671)	-	-
Cash and cash equivalents at 1 July	9,193,042	12,338,216	10,674	15,870
Cash and cash equivalents at 31 December	<b>9,136,898</b>	<b>7,251,352</b>	<b>30,402</b>	<b>15,111</b>
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	8,482,683	9,389,132	30,342	15,051
Deposits and placements with banks and other financial institutions	2,095,657	9,232,675	3,360	3,360
	10,578,340	18,621,807	33,702	18,411
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,441,442)	(11,370,455)	(3,300)	(3,300)
	<b>9,136,898</b>	<b>7,251,352</b>	<b>30,402</b>	<b>15,111</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021.

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**1. Basis of preparation**

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

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2021. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2021.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the audited annual financial statements for the financial year ended 30 June 2021 and modified for the adoption of the following accounting standards applicable for financial year beginning on or after 1 July 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark (IBOR) Reform -Phase 2'
- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'

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

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

**2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2021**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2021.

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 31 December 2021 other than as mentioned below.

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

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

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

On 3 November 2021, the Company has granted 469,210 ordinary shares in the Company to eligible executives pursuant to the ESOS. The vesting of the 469,210 free ordinary shares in the Company will be done in tranches over a period of 3 years from the date of the grant.

During the financial period ended 31 December 2021, a total of 12,425,000 share options lapsed and a total of 156,404 grant shares were vested and transferred pursuant to the ESOS.

As at 31 December 2021, the total number of Treasury Shares for ESOS is 9,479,596 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM177,656,388.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 December 2021 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

A final single-tier dividend of 29.2 sen per share in respect of financial year ended 30 June 2021 amounting to RM332.3 million was paid on 23 November 2021.

**8. Segmental reporting**

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

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

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

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

**Business segments**

The Group comprises the following main business segments:

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

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2021</b>	<b>Commercial</b> <b>banking</b> <b>RM '000</b>	<b>Investment</b> <b>banking</b> <b>RM '000</b>	<b>Insurance</b> <b>RM '000</b>	<b>Other</b> <b>operations</b> <b>RM '000</b>	<b>Eliminations/ consolidation</b> <b>adjustments</b> <b>RM '000</b>	<b>Consolidated</b> <b>RM '000</b>
<b>Revenue</b>						
External revenue	2,742,015	122,008	249,177	(9,602)	-	3,103,598
Inter-segment revenue	9,094	323	640	576,704	(586,761)	-
Segment revenue	<u>2,751,109</u>	<u>122,331</u>	<u>249,817</u>	<u>567,102</u>	<u>(586,761)</u>	<u>3,103,598</u>
<b>Results</b>						
Segment results	1,649,495	58,192	172,014	560,565	(578,368)	1,861,898
Share of results of associated companies						<u>514,104</u>
Profit before taxation						<u>2,376,002</u>
Taxation						<u>(572,572)</u>
Net profit for the financial period						<u>1,803,430</u>
Non-controlling interests						<u>(603,382)</u>
Profit attributable to owners of the parent						<u><u>1,200,048</u></u>
<b>Other information</b>						
Segment assets	244,806,182	4,469,833	27,652,298	19,505,634	(18,511,320)	<u><u>277,922,627</u></u>
Segment liabilities	214,739,971	3,542,380	23,838,213	2,902,229	(1,942,596)	<u><u>243,080,197</u></u>

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 December 2020</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>Revenue</b>						
External revenue	2,742,391	178,674	234,815	(37,703)	-	3,118,177
Inter-segment revenue	6,548	52	612	414,440	(421,652)	-
Segment revenue	<u>2,748,939</u>	<u>178,726</u>	<u>235,427</u>	<u>376,737</u>	<u>(421,652)</u>	<u>3,118,177</u>
<b>Results</b>						
Segment results	1,370,731	106,144	151,875	367,133	(416,508)	1,579,375
Share of results of associated companies						<u>375,605</u>
Profit before taxation						1,954,980
Taxation						<u>(304,969)</u>
Net profit for the financial period						1,650,011
Non-controlling interests						<u>(535,396)</u>
Profit attributable to owners of the parent						<u>1,114,615</u>
<b>Other information</b>						
Segment assets	228,423,409	4,929,859	26,421,332	19,496,857	(15,825,762)	<u>263,445,695</u>
Segment liabilities	200,161,543	4,078,753	22,901,083	3,165,661	735,254	<u>231,042,294</u>

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

	The Group	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Money market instruments:		
Bank Negara Malaysia bills	104,347	-
Government treasury bills	1,364,329	392,473
Malaysian Government securities	5,275,143	3,948,459
Malaysian Government investment certificates	2,612,859	2,058,036
Negotiable instruments of deposit	1,560,966	1,749,337
Khazanah bonds	94,048	-
Cagamas bonds	227,026	233,282
Other Government securities	5,797,565	5,572,222
	<u>17,036,283</u>	<u>13,953,809</u>
Quoted securities:		
Shares in Malaysia	5,235,573	4,676,764
Shares outside Malaysia	552,483	722,057
Wholesale fund/unit trust investments	796,731	562,405
Foreign currency bonds outside Malaysia	2,113	29,755
Investment-linked funds	312	312
Loan stocks	1,268	1,186
Warrants in Malaysia	2,133	1,763
	<u>6,590,613</u>	<u>5,994,242</u>
Unquoted securities:		
Shares in Malaysia	374,729	374,729
Foreign currency bonds outside Malaysia	277,712	283,724
Government sukuk	-	81,315
Corporate bonds and sukuk	7,257,795	7,219,388
Perpetual bonds	106,624	107,006
Redeemable preference shares	25,000	25,000
	<u>8,041,860</u>	<u>8,091,162</u>
Total financial assets at fair value through profit or loss	<u>31,668,756</u>	<u>28,039,213</u>

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

	Note	The Group	
		As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
<b>At fair value</b>			
Debt instruments	(a)	31,707,093	35,731,964
Equity instruments	(b)	69,100	69,094
		<u>31,776,193</u>	<u>35,801,058</u>
(a) Debt instruments			
Money market instruments:			
Government treasury bills		68,219	917,859
Malaysian Government securities		3,932,257	4,232,082
Malaysian Government investment certificates		10,096,327	12,525,973
Negotiable instruments of deposit		2,644,975	800,392
Other Government securities		31,120	87,514
Khazanah bonds		519,218	469,874
Cagamas bonds		1,422,523	1,587,332
		<u>18,714,639</u>	<u>20,621,026</u>

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

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
(a) Debt instruments (continued)		
Quoted securities:		
Government sukuk	890,222	903,959
Foreign currency bonds in Malaysia	1,428,412	2,248,808
Foreign currency bonds outside Malaysia	903,313	1,505,360
	<u>3,221,947</u>	<u>4,658,127</u>
Unquoted securities:		
Government sukuk	525,452	495,244
Corporate bonds and sukuk	8,648,085	9,338,672
Foreign currency bonds in Malaysia	227,821	270,932
Foreign currency bonds outside Malaysia	369,149	347,963
	<u>9,770,507</u>	<u>10,452,811</u>
	<u>31,707,093</u>	<u>35,731,964</u>
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	69,100	69,094

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM '000</b>
	<b>12 months ECL RM '000</b>	<b>Lifetime ECL not credit impaired RM '000</b>	<b>Lifetime ECL credit impaired RM '000</b>	
<b>The Group</b>				
<b>31 December 2021</b>				
As at 1 July	2,741	-	16,647	19,388
New financial assets originated or purchased	367	-	-	367
Financial assets derecognised	(646)	-	-	(646)
Changes due to change in credit risk	(90)	-	-	(90)
Exchange differences	2	-	(61)	(59)
As at 31 December	<u>2,374</u>	<u>-</u>	<u>16,586</u>	<u>18,960</u>
<b>30 June 2021</b>				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	1,464	-	-	1,464
Financial assets derecognised	(1,174)	-	-	(1,174)
Changes due to change in credit risk	(9)	-	-	(9)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(59)	-	(350)	(409)
As at 30 June	<u>2,741</u>	<u>-</u>	<u>16,647</u>	<u>19,388</u>

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**11. Financial investments at amortised cost**

	The Group	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Money market instruments:		
Government treasury bills	55,228	-
Malaysian Government securities	4,993,035	4,267,888
Malaysian Government investment certificates	19,651,179	14,622,877
Khazanah bonds	19,634	19,234
Other Government securities	411,764	505,500
	<u>25,130,840</u>	<u>19,415,499</u>
Quoted securities:		
Foreign currency bonds in Malaysia	-	816,599
Foreign currency bonds outside Malaysia	62,170	65,232
	<u>62,170</u>	<u>881,831</u>
Unquoted securities:		
Government sukuk	2,582,236	2,580,570
Corporate bonds and sukuk	1,763,890	1,799,734
Foreign currency bonds outside Malaysia	-	16,639
	<u>4,346,126</u>	<u>4,396,943</u>
Less: Expected credit losses	(10)	(80)
Total financial investments at amortised cost	<u>29,539,126</u>	<u>24,694,193</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>The Group</b>				
<b>31 December 2021</b>				
As at 1 July	80	-	-	80
New financial assets originated or purchased	10	-	-	10
Financial assets derecognised	(78)	-	-	(78)
Exchange differences	(2)	-	-	(2)
As at 31 December	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
<b>30 June 2021</b>				
As at 1 July	217	-	-	217
New financial assets originated or purchased	44	-	-	44
Changes due to change in credit risk	(174)	-	-	(174)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	(6)	-	-	(6)
As at 30 June	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>



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**12. Loans, advances and financing**

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Overdrafts	3,310,292	3,371,190
Term loans/financing:		
- Housing and shop loans/financing	88,444,416	86,120,721
- Hire purchase receivables	17,334,633	17,107,240
- Ijarah receivables	160,619	160,651
- Other term loans/financing and syndicated term loans	30,383,562	28,370,072
Credit/charge card receivables	3,017,220	2,830,912
Bills receivable	1,278,339	1,112,257
Trust receipts	1,216,132	533,845
Policy and premium loans	324,992	372,291
Claims on customers under acceptance credits	7,174,185	8,064,076
Revolving credits	8,019,891	8,347,977
Staff loans/financing	130,979	139,345
Other loans/financing	188	265
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	10,972	17,665
Allowance for impairment losses:		
- Expected credit losses	(1,834,245)	(1,769,750)
Total net loans, advances and financing	<u>158,972,175</u>	<u>154,778,757</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,296,258,000 (30 June 2021: RM1,019,858,000).

(a) By type of customers

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Domestic non-bank financial institutions	1,681,823	1,718,527
Domestic business enterprises:		
- Small and medium enterprises	28,208,763	26,079,862
- Others	22,345,200	22,832,734
Government and statutory bodies	6,260	1,664
Individuals	105,126,455	102,338,129
Other domestic entities	271,818	625,649
Foreign entities	3,155,129	2,934,277
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,458,179	1,499,285
- Hire purchase receivables	17,233,109	16,982,798
- Other fixed rate loans/financing	9,617,872	9,011,742
Variable rate		
- Base rate/base lending rate plus	111,103,535	107,668,954
- Cost plus	21,268,220	21,278,916
- Other variable rates	114,533	89,147
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>

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

(c) By economic purposes

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
Purchase of securities	1,406,412	1,252,939
Purchase of transport vehicles	16,959,458	16,769,062
Purchase of landed properties		
- Residential	79,563,282	77,191,630
- Non-residential	19,282,041	18,524,366
Purchase of fixed assets (excluding landed properties)	1,336,314	1,431,572
Personal use	3,637,390	3,441,092
Credit card	3,017,220	2,830,912
Construction	3,273,523	2,823,397
Working capital	30,271,683	30,292,454
Other purposes	2,048,125	1,973,418
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
Malaysia	150,856,883	147,295,958
Singapore	6,469,980	6,186,948
Hong Kong	14,819	538
Vietnam	1,299,781	1,186,775
Cambodia	2,153,985	1,860,623
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
Within one year	27,912,659	28,344,629
One year to less than three years	6,274,604	5,351,697
Three years to less than five years	12,284,958	12,369,513
Five years and more	114,323,227	110,465,003
Gross loans, advances and financing	<u>160,795,448</u>	<u>156,530,842</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
As at 1 July	717,672	896,276
Classified as impaired during the financial period/year	558,442	1,095,845
Reclassified as non-impaired during the financial period/year	(304,401)	(700,744)
Amount written back in respect of recoveries	(115,270)	(252,898)
Amount written off	(124,448)	(320,659)
Exchange differences	(53)	(148)
As at end of the financial period/year	<u>731,942</u>	<u>717,672</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.5%</u>

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

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

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Purchase of securities	240	304
Purchase of transport vehicles	48,675	71,797
Purchase of landed properties		
- Residential	283,039	267,046
- Non-residential	141,767	124,748
Purchase of fixed assets (excluding landed properties)	540	600
Personal use	31,816	44,705
Credit card	16,722	21,096
Construction	14,767	7,976
Working capital	161,598	147,669
Other purposes	32,778	31,731
Gross impaired loans, advances and financing	<u>731,942</u>	<u>717,672</u>

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

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Malaysia	716,738	706,957
Singapore	968	5,866
Vietnam	1,605	1,580
Cambodia	12,631	3,269
Gross impaired loans, advances and financing	<u>731,942</u>	<u>717,672</u>

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM '000</b>
	<b>12 months ECL RM '000</b>	<b>Lifetime ECL not credit impaired RM '000</b>	<b>Lifetime ECL credit impaired RM '000</b>	
<b>The Group 31 December 2021</b>				
As at 1 July	1,075,247	459,868	234,635	1,769,750
Changes in ECL due to transfer within stages	(36,455)	(44,927)	81,382	-
Transfer to Stage 1	9,271	(9,140)	(131)	-
Transfer to Stage 2	(44,191)	78,323	(34,132)	-
Transfer to Stage 3	(1,535)	(114,110)	115,645	-
New financial assets originated	19,915	146	296	20,357
Financial assets derecognised	(8,192)	(10,874)	(6,800)	(25,866)
Changes due to change in credit risk	(40,202)	172,243	66,485	198,526
Amount written off	-	-	(125,748)	(125,748)
Exchange differences	126	(346)	(77)	(297)
Other movements	-	-	(2,477)	(2,477)
As at 31 December	<u>1,010,439</u>	<u>576,110</u>	<u>247,696</u>	<u>1,834,245</u>

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

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

The Group 30 June 2021	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	550,165	435,828	276,768	1,262,761
Changes in ECL due to transfer within stages	(61,339)	(97,476)	158,815	-
Transfer to Stage 1	24,746	(24,493)	(253)	-
Transfer to Stage 2	(85,969)	170,089	(84,120)	-
Transfer to Stage 3	(116)	(243,072)	243,188	-
New financial assets originated	58,663	604	551	59,818
Financial assets derecognised	(22,607)	(42,430)	(13,357)	(78,394)
Changes due to change in credit risk	550,525	194,235	136,123	880,883
Changes in models/risk parameters	(16)	(30,643)	(2)	(30,661)
Amount written off	-	-	(323,828)	(323,828)
Exchange differences	(144)	(250)	(67)	(461)
Other movements	-	-	(368)	(368)
As at 30 June	1,075,247	459,868	234,635	1,769,750

**13. Other receivables**

	The Group	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Foreclosed properties	46	5,508
Sundry debtors and other prepayments	258,345	495,809
Settlement accounts	533,313	387,625
Treasury related receivables	35,276	806,250
Cash collateral pledged for derivative transactions	388,430	306,536
Fee income receivables	5,309	3,261
Portfolio Investment Account*	1,857	-
Other receivables	71,578	114,241
	1,294,154	2,119,230

\*Note:

Included in other assets are the underlying assets for the Portfolio Investment Accounts ("PIA"). PIA is the restricted investment account offered to investors based on the Shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises Hong Leong Islamic Bank to manage the customers' investment on their behalf.

	The Company	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Amount due from subsidiary companies	1,063	10
Sundry debtors and other prepayments	3,858	1,962
	4,921	1,972

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**14. Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
<b>At amortised cost</b>		
Fixed deposits	96,051,991	91,630,006
Negotiable instruments of deposits	7,605,517	7,276,126
Short-term placements	20,225,169	21,803,680
	<u>123,882,677</u>	<u>120,709,812</u>
Demand deposits	37,731,292	35,279,818
Savings deposits	24,511,739	23,857,612
Others	455,867	563,080
	<u>186,581,575</u>	<u>180,410,322</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	1,825,663	1,469,078
Fair value changes arising from designation at fair value through profit or loss*	(173,770)	(110,580)
	<u>1,651,893</u>	<u>1,358,498</u>
	<u>188,233,468</u>	<u>181,768,820</u>

\*Note:

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

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

(b) By type of customers

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Government and statutory bodies	2,340,643	2,392,705
Business enterprises	86,871,419	83,003,914
Individuals	96,731,377	93,792,061
Others	2,290,029	2,580,140
	<u>188,233,468</u>	<u>181,768,820</u>

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

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Due within six months	100,483,938	97,955,437
More than six months to one year	21,437,831	20,881,750
More than one year to five years	1,240,871	1,251,960
More than five years	720,037	620,665
	<u>123,882,677</u>	<u>120,709,812</u>

**15. Investment accounts of customers**

	<b>The Group</b>	
	<b>As at 31/12/2021 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Unrestricted investment accounts - Mudarabah with maturity	1,037,489	1,145,154
Restricted investment accounts - Wakalah bi Al-Istithmar	1,857	-
	<u>1,039,346</u>	<u>1,145,154</u>

The underlying assets for the investment accounts are house financing, personal financing, other term financing, high quality liquid assets and unit trusts.

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

	The Group	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Licensed banks	7,037,264	9,937,337
Licensed investment banks	50,005	351,028
Central banks*	1,544,173	1,382,520
Other financial institutions	1,891,310	2,508,576
	<b>10,522,752</b>	<b>14,179,461</b>

\*Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,543,828,000 (30 June 2021: RM1,317,291,000) at concession rates.

**17. Payables and other liabilities**

	Note	The Group	
		As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Trade payables		3,945,706	3,765,476
Post employment benefits obligation - defined contribution plan		1,886	1,889
Loan advance payment		3,810,052	3,795,992
Treasury and cheque clearing		220,137	162,604
Cash collateral pledged for derivative transactions		112,766	145,411
Sundry creditors and accruals		370,234	375,011
Provision for reinstatement cost		22,814	23,394
Provision for bonus and staff related expenses		299,373	259,458
Expected credit losses on financial guarantee contracts	(a)	3,966	4,563
Financial liabilities due to third party investors	(b)	2,056,544	7,303,953
Settlement accounts		873,145	525,131
Others		542,399	505,259
		<b>12,259,022</b>	<b>16,868,141</b>

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

The Group 31 December 2021	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	(11)	11	-	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(15)	15	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	47	-	-	47
Financial assets derecognised	(1)	(3)	-	(4)
Changes due to change in credit risk	(502)	(130)	-	(632)
Exchange differences	(10)	2	-	(8)
As at 31 December	<b>2,901</b>	<b>1,065</b>	<b>-</b>	<b>3,966</b>

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

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

The Group 30 June 2021	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	3,260	5,220	-	8,480
Changes in ECL due to transfer within stages	58	(64)	6	-
Transfer to Stage 1	131	(131)	-	-
Transfer to Stage 2	(73)	73	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	82	-	-	82
Financial assets derecognised	(134)	(1)	-	(135)
Changes due to change in credit risk	106	(3,659)	(5)	(3,558)
Changes in models/risk parameters	1	(89)	-	(88)
Exchange differences	5	(222)	-	(217)
Other movements	-	-	(1)	(1)
As at 30 June	3,378	1,185	-	4,563

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

	The Company	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
Post employment benefits obligation - defined contribution plan	40	40
Sundry creditors and accruals	1,547	1,713
Provision for reinstatement cost	257	250
Provision for bonus and staff related expenses	19,353	15,217
	21,197	17,220

**18. Interest income**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Loans, advances and financing*	1,034,557	1,041,980	2,040,635	2,078,977
Money at call and deposit placements with financial institutions	35,054	36,551	75,514	81,993
Financial investments at fair value through other comprehensive income	185,412	189,988	378,883	381,155
Financial investments at amortised cost	160,361	143,427	304,566	282,423
Others	4,282	4,294	8,642	8,778
	1,419,666	1,416,240	2,808,240	2,833,326
Of which:				
Interest income earned on impaired loans, advances and financing	5,721	7,096	12,954	10,772

\*Note:

Included the net loss effects of RM26,757,000 (31 December 2020: RM5,634,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

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**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Money at call and deposit placements with financial institutions	167	324	273	468
Subordinated obligations	17,853	17,853	35,706	35,706
Multi-currency Additional Tier 1 capital securities	9,931	9,931	19,862	19,862
	<u>27,951</u>	<u>28,108</u>	<u>55,841</u>	<u>56,036</u>

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

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Financial assets at fair value through profit or loss	<u>65,566</u>	<u>51,044</u>	<u>130,879</u>	<u>102,411</u>

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Deposits and placements of banks and other financial institutions	16,591	18,297	36,949	43,346
Deposits from customers	399,496	458,564	790,340	965,364
Short-term placements	32,201	47,670	67,168	103,495
Borrowings	3,449	6,793	9,116	16,946
Subordinated obligations	23,760	21,239	47,520	42,296
Recourse obligations on loans sold to Cagamas Berhad	4,059	2,631	7,525	5,263
Multi-currency Additional Tier 1 capital securities	10,121	10,121	20,241	20,242
Others	9,837	13,295	21,827	26,188
	<u>499,514</u>	<u>578,610</u>	<u>1,000,686</u>	<u>1,223,140</u>

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Borrowings	3,463	6,817	9,150	16,983
Subordinated obligations	18,265	18,265	36,531	36,531
Multi-currency Additional Tier 1 capital securities	10,233	10,233	20,465	20,465
Others	72	81	145	165
	<u>32,033</u>	<u>35,396</u>	<u>66,291</u>	<u>74,144</u>



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**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Income derived from investment of depositors' funds and others*	326,626	355,400	690,816	703,500
Income derived from investment of shareholders' funds*	71,273	48,598	86,312	100,046
Income derived from investment of investment accounts	16,908	6,781	24,158	12,328
Income attributable to depositors	(174,716)	(172,525)	(345,857)	(356,916)
Income attributable to depositors on investment accounts	(7,095)	(4,026)	(14,344)	(6,150)
	<u>232,996</u>	<u>234,228</u>	<u>441,085</u>	<u>452,808</u>
Of which:				
Financing income earned on impaired financing and advances	846	956	1,866	1,733

\*Note:

Included the net loss effects of RM17,475,000 (31 December 2020: RM3,335,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

**22. Non-interest income**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Net income from insurance business	82,260	92,493	173,004	138,449
Net brokerage and commissions from stockbroking business	17,395	35,858	38,140	77,441
Net unit trust and asset management income	16,173	14,583	32,717	26,957
Fee income:				
Commissions	43,486	44,521	97,657	83,025
Service charges and fees	11,241	13,463	17,144	21,785
Guarantee fees	5,350	4,078	7,953	8,498
Credit card related fees	53,390	44,319	95,584	90,422
Corporate advisory fees	1,625	1,914	3,075	2,831
Commitment fees	9,174	9,256	18,065	18,741
Fee on loans, advances and financing	12,634	10,974	25,661	23,589
Placement fees	(701)	4,528	3,363	5,258
Arranger fees	230	1,818	763	1,871
Other fee income	51,649	37,567	95,328	84,089
	<u>188,078</u>	<u>172,438</u>	<u>364,593</u>	<u>340,109</u>
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	(28,220)	28,590	(24,321)	75,507
Financial investments at fair value through other comprehensive income	27,684	69,639	95,568	191,483
Derivative financial instruments	18,757	(85,562)	4,855	(103,716)
	<u>18,221</u>	<u>12,667</u>	<u>76,102</u>	<u>163,274</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	12,521	15,923	39,683	31,430
Financial investments at fair value through other comprehensive income	-	-	-	375
	<u>12,521</u>	<u>15,923</u>	<u>39,683</u>	<u>31,805</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	9,634	17,616	(16,754)	13,889
Derivative financial instruments	18,155	92,773	72,592	99,894
	<u>27,789</u>	<u>110,389</u>	<u>55,838</u>	<u>113,783</u>

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

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(1,670)	(1,314)	(3,802)	(2,408)
Net unrealised loss on fair value changes arising from fair value hedges	(310)	(815)	(648)	(2,210)
Other income:				
Foreign exchange (loss)/gain	(39,274)	40,681	(59,106)	59,503
Rental income	768	2,517	2,402	3,783
Net gain on disposal of property and equipment	164	127	159	295
Other non-operating income	3,474	925	4,998	1,991
	(34,868)	44,250	(51,547)	65,572
Total non-interest income	325,589	496,472	724,080	952,772

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Fee income:				
Management fees	2,391	1,801	4,792	1,913
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	2	-	(38)	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	65	18	193	1,120
Subsidiary companies	62,500	308,003	579,686	308,003
Other income:				
Gain from disposal of shares in subsidiary	-	88,122	-	88,122
Other non-operating income	310	153	609	428
Total non-interest income	65,268	398,097	585,242	399,586

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	307,029	314,266	613,942	620,968
- Medical expenses	7,874	6,649	15,501	15,277
- Training and convention expenses	2,052	1,495	4,252	3,494
- Staff welfare	2,709	2,831	6,613	5,848
- Others	(835)	33,741	8,819	69,052
	318,829	358,982	649,127	714,639
<u>Establishment costs</u>				
- Depreciation of property and equipment	32,534	33,823	65,580	67,768
- Depreciation of right-of-use assets	12,072	13,399	25,493	26,787
- Amortisation of intangible assets	14,497	15,759	28,624	30,597
- Rental of premises	684	1,055	1,160	1,559
- Information technology expenses	56,336	45,944	114,195	94,592
- Security services	5,100	5,324	11,589	11,549
- Electricity, water and sewerage	5,195	5,580	11,256	11,134
- Hire of plant and machinery	3,051	3,494	6,552	6,982
- Others	7,900	6,337	16,712	14,145
	137,369	130,715	281,161	265,113

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**23. Overhead expenses (continued)**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	5,837	5,905	12,303	11,103
- Sales commission and credit card related fees	32,395	27,798	54,187	51,940
- Others	12,951	11,966	19,983	25,490
	<u>51,183</u>	<u>45,669</u>	<u>86,473</u>	<u>88,533</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,911	5,894	11,651	11,997
- Stationery and printing expenses	2,818	3,710	5,997	6,918
- Professional fees	20,301	21,988	45,372	44,936
- Insurance fees	6,357	6,510	12,703	12,411
- Stamp, postage and courier	3,209	3,664	6,580	7,077
- Credit card fees	14,458	1,263	21,831	12,971
- Travelling and transport expenses	784	854	1,334	1,689
- Registration and license fees	2,609	2,447	5,107	4,964
- Brokerage and commission	3,033	2,234	5,901	4,362
- Others	14,401	12,246	27,361	21,190
	<u>73,881</u>	<u>60,810</u>	<u>143,837</u>	<u>128,515</u>
	<u>581,262</u>	<u>596,176</u>	<u>1,160,598</u>	<u>1,196,800</u>
	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	5,224	3,202	10,499	6,714
- Medical expenses	2	37	3	76
- Training and convention expenses	2	-	3	(1)
- Staff welfare	136	143	263	292
- Others	(758)	2,191	509	4,208
	<u>4,606</u>	<u>5,573</u>	<u>11,277</u>	<u>11,289</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	132	154	264	329
- Depreciation of right-of-use assets	235	235	470	470
- Amortisation of intangible assets	10	1	20	1
- Information technology expenses	24	25	54	67
- Electricity, water and sewerage	6	7	13	17
- Others	37	82	81	151
	<u>444</u>	<u>504</u>	<u>902</u>	<u>1,035</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	9	13	18
- Stationery and printing expenses	4	5	4	13
- Professional fees	425	289	655	679
- Management fees	583	532	1,167	1,065
- Others	103	119	204	239
	<u>1,124</u>	<u>954</u>	<u>2,043</u>	<u>2,014</u>
	<u>6,174</u>	<u>7,031</u>	<u>14,222</u>	<u>14,338</u>

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

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	95,252	279,046	192,427	425,605
- Clients' and brokers' balances	(39)	(231)	(138)	(888)
Impaired loans, advances and financing:				
- Written off	4,741	4,679	8,329	8,526
- Recovered from bad debt written off	(66,754)	(42,863)	(118,899)	(91,554)
	<u>33,200</u>	<u>240,631</u>	<u>81,719</u>	<u>341,689</u>

**25. (Writeback of)/allowance for impairment losses on other assets**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(165)	(145)	(369)	(37)
- Financial investments at amortised cost	(30)	(79)	(68)	1
- Other receivables	(20)	(238)	(12)	45
- Cash and short-term funds	(147)	(66)	(111)	(54)
- Deposits and placements with banks and other financial institutions	(67)	168	(57)	358
	<u>(429)</u>	<u>(360)</u>	<u>(617)</u>	<u>313</u>

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	196	196	1	1

**26. Capital adequacy**

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

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

BNM had issued a letter dated 31 May 2021 on extension of additional measures to assist borrowers/customers affected by the COVID-19 pandemic. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by extending loan/financing flexibilities which will allow banking institutions to respond swiftly to the needs of their customers. On 9 December 2020, BNM issued a revision to the Capital Adequacy Framework (Capital Components), which sets out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions. The transitional arrangements have allowed banking institutions to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses to CET 1 over a four year period beginning 2020 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2020, which has allowed banking institutions to (1) drawdown on the capital conservation buffer of 2.500%; (2) operate below the minimum Liquidity Coverage Ratio of 100%; (3) reduce the regulatory reserves held against expected losses to 0%; and (4) lower minimum Net Stable Funding Ratio to 80%. While regulatory response and support has been encouraging amidst a challenging operating environment, the Group has opted to not avail itself to BNM's support measures.

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2021	30/06/2021	31/12/2021	30/06/2021	31/12/2021	30/06/2021	31/12/2021	30/06/2021
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	11.477%	11.866%	13.324%	14.030%	13.577%	13.911%	34.882%	50.575%
Tier 1 capital ratio	12.399%	12.801%	13.843%	14.561%	13.908%	14.245%	34.882%	50.575%
Total capital ratio	15.267%	15.697%	15.957%	16.703%	15.945%	16.301%	46.054%	61.409%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	11.364%	11.643%	13.084%	13.552%	13.272%	13.307%	34.882%	34.419%
Tier 1 capital ratio	12.286%	12.578%	13.604%	14.083%	13.603%	13.642%	34.882%	34.419%
Total capital ratio	15.154%	15.474%	15.717%	16.224%	15.640%	15.697%	46.054%	45.253%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	19,518,727	19,213,037	21,059,254	20,751,376	14,342,912	14,139,555	232,626	389,376
Other reserves	931,613	1,108,509	996,981	1,217,660	102,444	366,088	(9,149)	1,514
Qualifying non-controlling interests	6,745,756	6,410,633	-	-	-	-	-	-
Less: Treasury shares	(236,039)	(238,970)	(714,520)	(719,030)	(714,520)	(719,030)	-	-
Less: Other intangible assets	(276,442)	(245,593)	(271,701)	(242,317)	(244,691)	(218,277)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,353)	(31,745)
Less: Deferred tax assets	-	-	(398,443)	(275,670)	(276,756)	(183,513)	(115,604)	(121,199)
Less: Investment in subsidiary companies/ associated companies	(9,146,466)	(8,491,639)	(6,079,697)	(5,501,542)	(2,788,589)	(2,725,221)	(200)	(200)
Total CET 1 capital	17,457,870	17,676,698	20,499,625	21,138,228	16,388,316	16,627,118	327,270	490,696

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000	31/12/2021 RM '000	30/06/2021 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,873	799,813	799,850	799,785	799,850	799,785	-	-
Qualifying non-controlling interests	603,077	594,101	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,402,950	1,393,914	799,850	799,785	799,850	799,785	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,402,950	1,393,914	799,850	799,785	399,850	399,785	-	-
Total Tier 1 capital	18,860,820	19,070,612	21,299,475	21,938,013	16,788,166	17,026,903	327,270	490,696
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,720,246	1,695,147	1,751,724	1,726,493	1,358,541	1,356,795	4,818	5,115
Subordinated obligations	1,599,880	1,599,861	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,042,175	1,019,015	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,362,301	4,314,023	3,251,694	3,226,463	2,458,511	2,456,765	104,818	105,115
Total capital	23,223,121	23,384,635	24,551,169	25,164,476	19,246,677	19,483,668	432,088	595,811

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**26. Capital adequacy (continued)**

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

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>31/12/2021</b>	<b>30/06/2021</b>	<b>31/12/2021</b>	<b>30/06/2021</b>	<b>31/12/2021</b>	<b>30/06/2021</b>	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Credit risk *	137,619,661	135,611,721	140,137,957	138,119,456	108,683,290	108,543,591	385,401	409,205
Market risk	5,023,584	4,167,709	4,703,003	3,778,671	4,753,078	3,895,661	225,094	248,108
Operational risk	9,470,748	9,194,803	9,019,121	8,761,958	7,269,603	7,087,877	327,728	312,925
<b>Total RWA</b>	<b>152,113,993</b>	<b>148,974,233</b>	<b>153,860,081</b>	<b>150,660,085</b>	<b>120,705,971</b>	<b>119,527,129</b>	<b>938,223</b>	<b>970,238</b>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM768,490,000 (30 June 2021: RM847,370,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>31/12/2021</b>	<b>30/06/2021</b>
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	10.644%	11.133%
Tier 1 capital ratio	11.968%	12.535%
Total capital ratio	<u>14.470%</u>	<u>15.112%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	10.644%	11.133%
Tier 1 capital ratio	11.968%	12.535%
Total capital ratio	<u>14.470%</u>	<u>15.112%</u>

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**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial period ended 31 December 2021.

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

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

- (a) HL Bank Nominees (Singapore) Pte. Ltd., a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB"), was dissolved on 2 November 2021.
- (b) On 19 January 2022, HLB announced that the liquidator of EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)") had convened the final meeting to conclude the member's voluntary winding-up of EB Nominees (Asing). The Returns by Liquidator Relating to Final Meeting of EB Nominees (Asing) were lodged with the Companies Commission of Malaysia and the Official Receiver on 19 January 2022 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, EB Nominees (Asing) will be dissolved.

**29. Related party transactions**

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

**30. Commitments and contingencies**

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

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

	<b>The Group</b>	
	<b>31/12/2021</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	176,759	172,600
Certain transaction related contingent items	1,888,628	1,676,061
Short-term self liquidating trade related contingencies	1,208,482	671,759
Irrevocable commitments to extend credit:		
- Less than one year	24,395,265	23,767,882
- More than one year	23,228,396	20,459,242
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	242	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- More than one year	-	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	895,735	911,550
Foreign exchange related contracts:		
- Less than one year	63,768,318	65,568,146
- One year to less than five years	4,898,627	5,104,301
- Five years and above	438,480	361,486
Interest rate related contracts:		
- Less than one year	60,474,416	119,693,163
- One year to less than five years	52,489,679	34,095,456
- Five years and above	4,819,736	4,387,355
Equity related contracts:		
- Less than one year	257,625	247,217
- One year to less than five years	123,722	121,619
- Five years and above	256,449	255,112
Credit related contracts:		
- Five years and above	795,765	652,187
Commodity related contracts:		
- Less than one year	139,603	55,088
- One year to less than five years	841,882	39,881
Unutilised credit card lines	7,049,410	7,419,464
<b>Total</b>	<b>248,147,219</b>	<b>285,689,569</b>



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**31. Fair value of financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

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

**Determination of fair value and fair value hierarchy**

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

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

Valuation techniques

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

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

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

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

The Group 31 December 2021	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	17,036,283	-	17,036,283
- Quoted securities	6,590,613	-	-	6,590,613
- Unquoted securities	-	7,667,131	374,729	8,041,860
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	18,714,639	-	18,714,639
- Quoted securities	3,221,947	-	-	3,221,947
- Unquoted securities	-	9,770,507	69,100	9,839,607
Derivative financial instruments	3,982	794,321	97,511	895,814
	<u>9,816,542</u>	<u>53,982,881</u>	<u>541,340</u>	<u>64,340,763</u>

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

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

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

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>31 December 2021</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	2,623	1,036,202	97,468	1,136,293
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,651,893	-	1,651,893
	<u>2,623</u>	<u>2,688,095</u>	<u>97,468</u>	<u>2,788,186</u>

**30 June 2021**

***Recurring fair value measurements***

**Financial assets**

Financial assets at fair value through profit or loss

- Money market instruments	-	13,953,809	-	13,953,809
- Quoted securities	5,994,242	-	-	5,994,242
- Unquoted securities	-	7,716,433	374,729	8,091,162

Financial investments at fair value through other comprehensive income

- Money market instruments	-	20,621,026	-	20,621,026
- Quoted securities	4,658,127	-	-	4,658,127
- Unquoted securities	-	10,452,811	69,094	10,521,905

Derivative financial instruments

	2,886	971,829	76,913	1,051,628
	<u>10,655,255</u>	<u>53,715,908</u>	<u>520,736</u>	<u>64,891,899</u>

**Financial liabilities**

Derivative financial instruments

	1,654	892,384	76,913	970,951
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Financial liabilities designated at fair value

- Structured deposits linked to interest rate derivatives	-	1,358,498	-	1,358,498
	<u>1,654</u>	<u>2,250,882</u>	<u>76,913</u>	<u>2,329,449</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2021: RM Nil).

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

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

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

	<b>Financial assets</b>			<b>Financial liability</b>
	<b>Financial assets at fair value through profit or loss</b>	<b>Financial investments at fair value through other comprehensive income</b>	<b>Derivative financial instruments</b>	<b>Derivative financial instruments</b>
<b>The Group</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>31 December 2021</b>				
As at 1 July	374,729	69,094	76,913	76,913
Fair value changes recognised in statements of income	-	-	21,207	21,207
Net fair value changes recognised in other comprehensive income	-	6	-	-
Purchases	-	-	2,867	2,824
Settlements	-	-	(3,476)	(3,476)
As at 31 December	<u>374,729</u>	<u>69,100</u>	<u>97,511</u>	<u>97,468</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2021	<u>-</u>	<u>-</u>	<u>21,207</u>	<u>21,207</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2021	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
<b>30 June 2021</b>				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	21,778	-	77,666	77,666
Net fair value changes recognised in other comprehensive income	-	9,000	-	-
Purchases	-	-	62,449	62,449
Disposal	(1,432)	-	-	-
Settlements	-	-	(76,694)	(76,694)
As at 30 June	<u>374,729</u>	<u>69,094</u>	<u>76,913</u>	<u>76,913</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	<u>21,778</u>	<u>-</u>	<u>77,666</u>	<u>77,666</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2021	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>

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**1. Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM1,201.6 million for the current quarter ended 31 December 2021 as compared to RM967.2 million in the previous corresponding quarter, an increase of RM234.4 million or 24.2%. The increase was due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM1,076.5 million for the current quarter ended 31 December 2021 as compared to RM815.3 million in the previous corresponding quarter, an increase of RM261.2 million or 32.0%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM207.6 million, higher writeback of impairment losses on other assets of RM0.3 million and higher share of profit from associated companies of RM83.4 million. This was offset by lower revenue of RM28.9 million and higher operating expenses of RM1.2 million.

HLA Holdings Group recorded a profit before tax of RM108.1 million for the current quarter ended 31 December 2021 as compared to RM127.1 million in the previous corresponding quarter, a decrease of RM19.0 million or 14.9%. The decrease was mainly due to lower revenue of RM26.5 million and lower life fund surplus of RM3.8 million. This was however mitigated by lower operating expenses of RM7.8 million and higher share of profit from associated company of RM3.6 million.

Hong Leong Capital Group recorded a profit before tax of RM21.3 million for the current quarter ended 31 December 2021 as compared to RM53.4 million in the previous corresponding quarter, a decrease of RM32.1 million or 60.1%. The decrease was mainly due to lower contribution from investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM2,376.0 million for the period ended 31 December 2021 as compared to RM1,955.0 million in the previous corresponding period, an increase of RM421.0 million or 21.5%. The increase was mainly due to higher contribution from commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,118.6 million for the period ended 31 December 2021 as compared to RM1,705.5 million in the previous corresponding period, an increase of RM413.1 million or 24.2%. The increase was mainly due to higher revenue of RM2.2 million, lower operating expenses of RM12.6 million, lower allowance for impairment losses on loans, advances and financing of RM263.2 million, higher writeback of impairment losses on other assets of RM0.8 million and higher share of profit from associated companies of RM134.3 million.

HLA Holdings Group recorded a profit before tax of RM217.0 million for the period ended 31 December 2021 as compared to RM192.7 million in the previous corresponding period, an increase of RM24.3 million or 12.6%. The increase was mainly due to higher life fund surplus of RM48.6 million, lower operating expenses of RM5.9 million and higher share of profit from associated company of RM4.2 million. This was offset by lower revenue of RM34.2 million.

Hong Leong Capital Group recorded a profit before tax of RM58.2 million for the period ended 31 December 2021 as compared to RM106.1 million in the previous corresponding period, a decrease of RM47.9 million or 45.1%. This was mainly due to lower contribution from investment banking and stockbroking divisions.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM1,201.6 million for the current quarter ended 31 December 2021 as compared to RM1,174.4 million in the preceding quarter, an increase of RM27.2 million or 2.3%. The increase was mainly due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM1,076.5 million for the current quarter ended 31 December 2021 as compared to RM1,042.1 million in the preceding quarter, an increase of RM34.4 million or 3.3%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM15.5 million, higher writeback of impairment losses on other assets of RM0.2 million and higher share of profit from associated companies of RM33.1 million. This was offset by lower revenue of RM8.8 million and higher operating expenses of RM5.6 million.

HLA Holdings Group recorded a profit before tax of RM108.1 million for the current quarter ended 31 December 2021 as compared to RM108.9 million in the preceding quarter, a decrease of RM0.8 million or 0.7%. The decrease was mainly due to lower life fund surplus of RM6.8 million and lower share of profit from associated company of RM4.5 million. This was however mitigated by higher revenue of RM6.8 million and lower operating expenses of RM3.8 million.

Hong Leong Capital Group recorded a profit before tax of RM21.3 million for the current quarter ended 31 December 2021 as compared to RM36.9 million in the preceding quarter, a decrease of RM15.6 million or 42.3%. This was due to lower contribution from investment banking, stockbroking and asset management divisions.

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

Looking forward, we anticipate the Malaysian economy to remain stable supported by expansion in global demand, higher private sector expenditure amid improvements in the labour market and continued policy support. Notwithstanding the improving public health conditions and rebound in economic outlook, uncertainties remain from the risks of prolonged global supply disruptions and emergence of COVID-19 variants of concerns that may disrupt the growth momentum. We shall remain vigilant against these risks and hopeful that Malaysia would be able to maintain a balanced approach to public health management whilst supporting economic growth in 2022.

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

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

**5. Taxation**

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Income tax	340,623	197,712	538,205	377,904
Transfer from/(to) deferred tax	22,276	(25,308)	36,268	(28,112)
	362,899	172,404	574,473	349,792
Prior year over provision	(148)	(365)	(1,901)	(44,823)
	<u>362,751</u>	<u>172,039</u>	<u>572,572</u>	<u>304,969</u>

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Income tax	(18)	155	87	309
Transfer to deferred tax	(36)	(3)	(157)	(16)
	<u>(54)</u>	<u>152</u>	<u>(70)</u>	<u>293</u>

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

**6. Status of corporate proposals**

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

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**7. Borrowings**

	The Group		The Company	
	As at	As at	As at	As at
	31/12/2021	30/06/2021	31/12/2021	30/06/2021
	RM '000	RM '000	RM '000	RM '000
<b>Unsecured</b>				
RM Term loans	-	1,000	-	1,000
RM Revolving credit	100,056	125,094	100,056	125,094
RM Commercial papers	164,974	155,846	164,974	155,846
RM Senior notes	201,982	380,086	201,882	405,421
	<u>467,012</u>	<u>662,026</u>	<u>466,912</u>	<u>687,361</u>
Repayment of term loans				
- Less than one year	-	1,000	-	1,000
Repayment of revolving credit				
- Less than one year	100,056	125,094	100,056	125,094
Repayment of commercial papers				
- Less than one year	164,974	155,846	164,974	155,846
Repayment of senior notes				
- Less than one year	-	380,086	-	405,421
- One to three years	201,982	-	201,882	-
	<u>467,012</u>	<u>662,026</u>	<u>466,912</u>	<u>687,361</u>

**8. Subordinated obligations**

	Note	The Group		The Company	
		As at	As at	As at	As at
		31/12/2021	30/06/2021	31/12/2021	30/06/2021
		RM '000	RM '000	RM '000	RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,835	4,710	-	-
		<u>604,835</u>	<u>604,710</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		2,670	2,608	2,670	2,608
		<u>1,602,670</u>	<u>1,602,608</u>	<u>1,602,670</u>	<u>1,602,608</u>
Less: Unamortised discounts		(120)	(139)	(1,106)	(1,366)
		<u>1,602,550</u>	<u>1,602,469</u>	<u>1,601,564</u>	<u>1,601,242</u>
		<u>2,207,385</u>	<u>2,207,179</u>	<u>1,601,564</u>	<u>1,601,242</u>

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

On 28 December 2020, HLA completed two issuances of Sub-Notes for RM150.0 million in nominal value each. The Sub-Notes were issued for a period of 5 years basis with a coupon rate of 3.45% per annum and 8 years basis with a coupon rate of 3.70% respectively.

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

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

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

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

	The Group		The Company	
	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000	As at 31/12/2021 RM '000	As at 30/06/2021 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	6,799	6,742	6,799	6,742
	806,799	806,742	806,799	806,742
Less: Unamortised discounts	(127)	(187)	(567)	(767)
	<u>806,672</u>	<u>806,555</u>	<u>806,232</u>	<u>805,975</u>

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

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

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

Details of financial instruments with off-balance sheet risk as at 31 December 2021

**The Group**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	55,918,229	194,932	(281,285)
(ii) 1 year to 3 years	437,196	318	(5,091)
(iii) More than 3 years	668,995	379	(4,325)
- Swaps			
(i) Less than 1 year	4,818,589	24,263	(38,954)
(ii) 1 year to 3 years	2,384,305	112,318	(16,323)
(iii) More than 3 years	1,523,541	16,168	(17,297)
- Options			
(i) Less than 1 year	3,031,500	6,867	(12,173)
(ii) 1 year to 3 years	323,070	2,480	(1,910)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	27,784,127	4,081	(4,016)
- Swaps			
(i) Less than 1 year	32,495,394	36,364	(62,253)
(ii) 1 year to 3 years	34,085,212	117,200	(206,966)
(iii) More than 3 years	23,117,083	215,836	(317,366)
- Cross currency swaps			
(i) Less than 1 year	194,895	10,190	-
(ii) 1 year to 3 years	107,120	2,623	(16,795)
Equity related contracts			
(i) Less than 1 year	257,625	5,588	(5,545)
(ii) 1 year to 3 years	29,629	907	(951)
(iii) More than 3 years	350,542	91,070	(91,016)
Credit related contracts			
(i) More than 3 years	795,765	17,454	(17,454)
Commodity related contracts			
(i) Less than 1 year	139,603	11,577	(11,374)
(ii) 1 year to 3 years	841,882	25,199	(25,199)
<b>Total</b>	<b>189,304,302</b>	<b>895,814</b>	<b>(1,136,293)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 June 2021

**The Group**

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	58,651,106	373,556	(127,725)
(ii) 1 year to 3 years	463,260	289	(4,988)
(iii) More than 3 years	432,457	1,200	(460)
- Swaps			
(i) Less than 1 year	4,938,879	25,013	(29,668)
(ii) 1 year to 3 years	2,854,726	104,904	(21,075)
(iii) More than 3 years	1,586,990	30,864	(10,911)
- Options			
(i) Less than 1 year	1,954,550	7,947	(7,370)
(ii) 1 year to 3 years	128,354	1,046	(625)
- Spots			
(i) Less than 1 year	23,611	23	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	85,901,992	2,886	(1,653)
- Swaps			
(i) Less than 1 year	33,596,601	64,308	(118,670)
(ii) 1 year to 3 years	23,306,141	134,862	(290,964)
(iii) More than 3 years	15,069,550	198,286	(247,340)
- Cross currency swaps			
(i) Less than 1 year	194,570	11,475	-
(i) 1 year to 3 years	107,120	2,904	(17,534)
Equity related contracts			
(i) Less than 1 year	247,217	5,002	(5,004)
(ii) 1 year to 3 years	101,010	5,911	(5,911)
(iii) More than 3 years	275,721	66,083	(66,000)
Credit related contracts			
(i) More than 3 years	652,187	12,095	(12,095)
Commodity related contracts			
(i) Less than 1 year	55,088	2,597	(2,581)
(ii) 1 year to 3 years	39,881	377	(377)
<b>Total</b>	<b>230,581,011</b>	<b>1,051,628</b>	<b>(970,951)</b>

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM280,516,000 (30 June 2021: RM327,979,000) and RM14,249,448,000 (30 June 2021: RM154,955,054,000) respectively.

Derivatives

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



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

**Credit risk**

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM983,338,000 (30 June 2021: RM1,122,776,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

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

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

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

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

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

**Liquidity risk**

Derivatives

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

**Related accounting policies**

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

Fair value hedge

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

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

**Related accounting policies (continued)**

Cash flow hedge

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

**11. Material litigation**

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

**12. Dividend**

A single-tier interim dividend of 15.0 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 15.0 sen per share
- (ii) Previous corresponding period: 10.8 sen per share
- (iii) Entitlement date: 15 March 2022
- (iv) Payment date: 30 March 2022

**13. Earnings per share**

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Net profit attributable to equity holders	559,486	527,582	1,200,048	1,114,615
Weighted average number of ordinary shares ('000)	1,133,850	1,133,789	1,133,820	1,133,793
<b>Basic earnings per share (sen)</b>	<b>49.3</b>	<b>46.5</b>	<b>105.8</b>	<b>98.3</b>

  

	The Company		The Company	
	Current quarter ended 31/12/2021 RM '000	Last year quarter ended 31/12/2020 RM '000	Current year to date 31/12/2021 RM '000	Last year to date 31/12/2020 RM '000
Net profit attributable to equity holders	54,870	383,430	560,639	366,846
Weighted average number of ordinary shares ('000)	1,137,942	1,137,881	1,137,911	1,137,881
<b>Basic earnings per share (sen)</b>	<b>4.8</b>	<b>33.7</b>	<b>49.3</b>	<b>32.2</b>

(b) Diluted earnings per share

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

Dated this 28 February 2022