

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short-term funds	6,930,705	11,299,078
Deposits and placements with banks and other financial institutions	7,190,479	9,078,939
Securities purchased under resale agreements	-	50,172
Financial assets at fair value through profit or loss	28,039,213	23,721,031
Financial investments at fair value through other comprehensive income	35,801,058	28,549,073
Financial investments at amortised cost	24,694,193	20,969,566
Derivative financial instruments	1,051,628	1,176,645
Loans, advances and financing	154,778,757	145,520,789
Clients' and brokers' balances	526,781	575,973
Other receivables	2,119,230	1,811,640
Statutory deposits with Central Banks	493,605	418,120
Tax recoverable	55,975	12,792
Deferred tax assets	19,253	-
Investment in associated companies	6,872,915	5,625,998
Property and equipment	1,355,232	1,461,528
Right-of-use assets	210,694	243,990
Investment properties	469,610	472,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	259,994	204,598
Total Assets	273,279,966	253,603,186
<u>Liabilities</u>		
Deposits from customers	181,768,820	171,237,064
Investment accounts of customers	1,145,154	356,475
Deposits and placements of banks and other financial institutions	14,179,461	8,574,291
Obligations on securities sold under repurchase agreements	742,750	3,124,132
Bills and acceptances payable	189,642	134,053
Derivative financial instruments	970,951	1,401,916
Clients' and brokers' balances	207,183	305,385
Payables and other liabilities	16,868,141	15,197,187
Lease liabilities	204,872	231,268
Recourse obligations on loans/financing sold to Cagamas Berhad	1,033,839	1,049,005
Provision for claims	247,366	223,029
Provision for taxation	380,809	213,569
Deferred tax liabilities	-	174,012
Borrowings	662,026	1,152,827
Subordinated obligations	2,207,179	1,906,982
Multi-currency Additional Tier 1 capital securities	806,555	806,499
Insurance funds	17,731,780	16,462,741
Total Liabilities	239,346,528	222,550,435
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	1,491,989	1,711,245
Retained profits	19,213,037	16,910,345
Fair value reserve	85,375	248,248
Treasury shares for ESOS	(238,970)	(238,834)
Total Shareholders' Equity	22,818,439	20,898,012
Non-controlling interests	11,114,999	10,154,739
Total Equity	33,933,438	31,052,751
Total Liabilities and Equity	273,279,966	253,603,186
Commitments and Contingencies		
	285,689,569	154,878,884
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	20.13	18.43

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
THE GROUP				
Interest income	1,376,212	1,403,342	5,586,573	6,246,377
Interest income for financial assets at fair value through profit or loss	55,852	61,175	208,535	316,685
Interest expense	(493,978)	(776,072)	(2,236,130)	(3,591,570)
Net interest income	938,086	688,445	3,558,978	2,971,492
Income from Islamic banking business	231,987	234,071	919,402	846,540
Non-interest income	330,962	506,643	1,720,492	1,439,793
Net income	1,501,035	1,429,159	6,198,872	5,257,825
Overhead expenses	(597,651)	(576,322)	(2,392,540)	(2,359,403)
Operating profit before allowances	903,384	852,837	3,806,332	2,898,422
Allowance for impairment losses on loans, advances and financing and other losses	(194,155)	(189,657)	(649,955)	(329,631)
Allowance for impairment losses on other assets	(184)	(534)	(652)	(237)
	709,045	662,646	3,155,725	2,568,554
Share of results of associated companies	244,393	195,638	815,782	730,967
Profit before taxation	953,438	858,284	3,971,507	3,299,521
Taxation	(98,416)	(92,799)	(595,146)	(520,566)
Net profit for the financial year	<u>855,022</u>	<u>765,485</u>	<u>3,376,361</u>	<u>2,778,955</u>
Attributable to:				
Owners of the parent	573,366	525,141	2,265,254	1,857,502
Non-controlling interests	281,656	240,344	1,111,107	921,453
Net profit for the financial year	<u>855,022</u>	<u>765,485</u>	<u>3,376,361</u>	<u>2,778,955</u>
Earnings per share - basic (sen)	<u>50.6</u>	<u>46.3</u>	<u>199.8</u>	<u>163.6</u>

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
THE GROUP				
Net profit for the financial year	855,022	765,485	3,376,361	2,778,955
Other comprehensive income in respect of:				
<u>Items that will not be reclassified to profit or loss</u>				
Equity instruments at fair value through other comprehensive income				
- Net fair value changes	9,396	15,763	9,228	15,763
- Net gain on disposal	-	43	-	43
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive (loss)/income of associated companies	(12,573)	29,989	(25,341)	21,255
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	154,809	324,988	(297,810)	205,299
- Changes in expected credit losses	352	873	229	700
Net fair value changes in cash flow hedge	(1,471)	(1,212)	3,235	(7,633)
Currency translation differences	98,968	4,270	278,293	84,035
Income tax relating to components of other comprehensive income	(35,655)	(68,167)	70,002	(43,448)
Other comprehensive income for the financial year, net of tax	213,826	306,547	37,836	276,014
Total comprehensive income for the financial year, net of tax	1,068,848	1,072,032	3,414,197	3,054,969
Attributable to:				
Owners of the parent	710,562	731,271	2,285,126	2,042,646
Non-controlling interests	358,286	340,761	1,129,071	1,012,323
	1,068,848	1,072,032	3,414,197	3,054,969

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	10,614	15,810
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	-	292,671
Other receivables	1,972	45,836
Tax recoverable	10,836	10,748
Deferred tax assets	184	83
Investment in subsidiary companies	19,458,252	19,497,956
Property and equipment	3,189	3,578
Right-of-use assets	5,015	5,955
Intangible assets	107	2
Total Assets	19,493,529	19,875,999
<u>Liabilities</u>		
Payables and other liabilities	17,220	8,569
Lease liabilities	5,099	5,905
Borrowings	687,361	1,208,506
Subordinated obligations	1,601,242	1,600,594
Multi-currency Additional Tier 1 capital securities	805,975	805,639
Total Liabilities	3,116,897	3,629,213
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	279,206	271,942
Retained profits	14,011,005	13,888,423
Treasury shares for ESOS	(180,587)	(180,587)
Total Equity	16,376,632	16,246,786
Total Liabilities and Equity	19,493,529	19,875,999

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
THE COMPANY				
Interest income	27,580	27,769	110,909	111,504
Interest expense	(34,137)	(39,076)	(142,275)	(162,299)
Net interest expense	(6,557)	(11,307)	(31,366)	(50,795)
Non-interest income	5,329	1,031	605,182	784,233
Net (expense)/income	(1,228)	(10,276)	573,816	733,438
Overhead expenses	(13,114)	6,169	(43,974)	(19,032)
(Allowance for)/writeback of impairment losses on other assets	(195)	(292)	-	3
(Loss)/profit before taxation	(14,537)	(4,399)	529,842	714,409
Taxation	527	8,667	101	8,204
Net (loss)/profit for the financial year	(14,010)	4,268	529,943	722,613
Earnings per share - basic (sen)	(1.2)	0.4	46.6	63.5

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
THE COMPANY				
Net (loss)/profit for the financial year	(14,010)	4,268	529,943	722,613
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive (loss)/income for the financial year, net of tax	(14,010)	4,268	529,943	722,613

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
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 year	-	-	-	-	-	-	-	2,265,254	-	2,265,254	1,111,107	3,376,361
Currency translation differences	-	-	-	-	-	-	181,124	-	-	181,124	97,169	278,293
Share of other comprehensive loss of associated companies	-	-	(20,167)	-	-	-	-	-	-	(20,167)	(5,174)	(25,341)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	6,049	-	-	-	-	-	-	6,049	3,179	9,228
- Net gain on disposal	-	-	(10)	-	-	-	-	10	-	-	-	-
- Debt instruments												
- Net fair value changes	-	-	(148,898)	-	-	-	-	-	-	(148,898)	(78,133)	(227,031)
- Changes in expected credit losses	-	-	153	-	-	-	-	-	-	153	76	229
Net fair value changes in cash flow hedge	-	-	-	1,611	-	-	-	-	-	1,611	847	2,458
Total comprehensive (loss)/income	-	-	(162,873)	1,611	-	-	181,124	2,265,264	-	2,285,126	1,129,071	3,414,197
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(423,401)	-	-	-	-	-	423,401	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(14,948)	-	(14,948)	14,948	-
Dividends paid	-	-	-	-	-	-	-	(407,361)	-	(407,361)	-	(407,361)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(261,496)	(261,496)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	(20,813)	(20,813)
Disposal of shares in subsidiary	-	-	-	-	-	-	-	29,342	-	29,342	98,550	127,892
Options charge arising from executive share scheme	-	-	-	-	-	26,590	-	-	-	26,590	-	26,590
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	(5,180)	-	6,994	-	1,814	-	1,814
As at 30 June 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

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HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
As at 1 July 2019	2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037
<u>Comprehensive income</u>												
Net profit for the financial year	-	-	-	-	-	-	-	1,857,502	-	1,857,502	921,453	2,778,955
Currency translation differences	-	-	-	-	-	-	57,143	-	-	57,143	26,892	84,035
Share of other comprehensive income of associated companies	-	-	15,754	-	-	-	-	-	-	15,754	5,501	21,255
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	10,336	-	-	-	-	-	-	10,336	5,427	15,763
- Net gain on disposal	-	-	-	-	-	-	-	36	-	36	7	43
- Debt instruments												
- Net fair value changes	-	-	105,161	-	-	-	-	-	-	105,161	54,821	159,982
- Changes in expected credit losses	-	-	494	-	-	-	-	-	-	494	206	700
Net fair value changes in cash flow hedge	-	-	-	(3,780)	-	-	-	-	-	(3,780)	(1,984)	(5,764)
Total comprehensive income/(loss)	-	-	131,745	(3,780)	-	-	57,143	1,857,538	-	2,042,646	1,012,323	3,054,969
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(9,419)	-	-	-	-	-	9,419	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(10,670)	-	(10,670)	10,670	-
Dividends paid	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(377,174)	(377,174)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,473	4,473
Options charge arising from executive share scheme	-	-	-	-	-	(3,892)	-	-	-	(3,892)	-	(3,892)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(76,958)	(76,958)	-	(76,958)
Exercise of executive share scheme	-	-	-	-	-	(7,342)	-	5,529	33	(1,780)	-	(1,780)
As at 30 June 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

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM425,858,000 (30 June 2020: RM849,259,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 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 YEAR ENDED 30 JUNE 2021

	Share capital RM '000	Other capital reserve RM '000	Share options reserve RM '000	Treasury shares for ESOS RM '000	Retained profits RM '000	Total equity RM '000
<u>THE COMPANY</u>						
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 year	-	-	-	-	529,943	529,943
Dividends paid	-	-	-	-	(407,361)	(407,361)
Options charge arising from executive share scheme	-	-	7,264	-	-	7,264
As at 30 June 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
As at 1 July 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net profit for the financial year	-	-	-	-	722,613	722,613
Dividends paid	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme	-	-	275	-	-	275
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
As at 30 June 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786

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

CONDENSED FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Group		The Company	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	3,971,507	3,299,521	529,842	714,409
Adjustment for non-cash items	(192,143)	(165,730)	(555,229)	(722,473)
Operating profit/(loss) before working capital changes	3,779,364	3,133,791	(25,387)	(8,064)
Income tax paid	(651,386)	(601,729)	(88)	(3,258)
Interest received	679	972	679	972
Changes in working capital				
Net changes in operating assets	(12,016,935)	(99,440)	336,536	(334,521)
Net changes in operating liabilities	16,289,365	11,199,581	8,615	(25,680)
Net cash generated from/(used in) operating activities	7,401,087	13,633,175	320,355	(370,551)
Cash flows from investing activities				
Net purchases of financial investments at fair value through other comprehensive income	(7,234,098)	(3,014,098)	-	-
Net purchases of financial investments at amortised cost	(3,695,242)	(5,080,703)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,301,343	1,173,357	-	-
Purchase of intangible assets	(30,007)	(32,892)	(116)	-
Purchase of property and equipment	(132,843)	(199,357)	(366)	(147)
Net proceeds from disposal of property and equipment	9,472	6,363	248	-
Dividends received from other investments	72,954	58,399	1,120	1,800
Dividends received from subsidiary companies	-	-	506,075	773,246
Dividends received from associated companies	11,993	27,984	-	-
Proceeds from disposal of shares in subsidiary	127,892	-	127,892	-
Proceeds from liquidation	-	-	-	83
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	39,461	39,503
- Interest on subordinated obligations	-	-	70,703	71,152
Net cash (used in)/generated from investing activities	(9,568,536)	(7,060,947)	745,017	885,637
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(407,361)	(147,924)	(407,361)	(147,924)
Dividends paid to non-controlling interests	(261,496)	(377,174)	-	-
Purchase of treasury shares	(136)	(76,958)	-	(28,443)
Cash received from executive share scheme exercised	4,633	2,414	-	-
Repayment of lease liabilities	(48,034)	(46,940)	(806)	(765)
Repayment of revolving credit	(80,000)	(225,000)	(80,000)	(225,000)
(Repayment of)/proceeds from commercial papers	(184,000)	125,000	(184,000)	125,000
Repayment of medium term notes	(220,000)	-	(250,000)	-
Repayment of innovative Tier 1 capital securities	-	(453,200)	-	-
Repayment of term loans	(4,000)	(145,000)	(4,000)	(145,000)
Repayment of subordinated obligations	-	(550,000)	-	-
Proceeds from subordinated obligations	300,000	300,000	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	-	993,447	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(14,957)	(200,050)	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(40,262)	(40,306)	(40,262)	(40,306)
Interest paid on subordinated obligations	(89,477)	(100,104)	(71,820)	(72,277)
Interest paid on borrowings	(31,611)	(48,728)	(32,030)	(48,727)
Interest paid on innovative Tier 1 capital securities	-	(19,374)	-	-
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(36,830)	(24,766)	-	-
Interest paid on lease liabilities	(9,453)	(11,137)	(289)	(330)
Net cash used in financing activities	(1,122,984)	(1,045,800)	(1,070,568)	(583,772)
Net (decrease)/increase in cash and cash equivalents	(3,290,433)	5,526,428	(5,196)	(68,686)
Effects of exchange rate changes	145,259	50,831	-	-
Cash and cash equivalents at 1 July	12,338,216	6,760,957	15,870	84,556
Cash and cash equivalents at 30 June	9,193,042	12,338,216	10,674	15,870
Analysis of cash and cash equivalents				
Cash and short-term funds	6,930,705	11,299,078	10,614	15,810
Deposits and placements with banks and other financial institutions	7,190,479	9,078,939	3,360	3,360
	14,121,184	20,378,017	13,974	19,170
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(4,928,142)	(8,039,801)	(3,300)	(3,300)
	9,193,042	12,338,216	10,674	15,870

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

1. Basis of preparation

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

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2020. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2020.

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

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

- (i) • The Conceptual Framework for Financial Reporting (Revised 2018)
• Amendments to MFRS 3 'Definition of a Business'
• Amendments to MFRS 101 and MFRS 108 'Definition of Material'
• Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'
• Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

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 year. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2020

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 year ended 30 June 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.

During the financial year ended 30 June 2021, no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 30 June 2021, the total number of Treasury Shares for ESOS is 9,636,000 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM180,587,544.

The insurance subsidiary company purchased 10,000 units of shares for RM135,605 pursuant to the Company's ESS during the financial year ended 30 June 2021.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 June 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 25.0 sen per share in respect of financial year ended 30 June 2020 amounting to RM284.5 million was paid on 25 November 2020.

An interim single-tier dividend of 10.8 sen per share in respect of financial year ended 30 June 2021 amounting to RM122.9 million was paid on 30 March 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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

8. Segmental reporting (continued)

The Group 30 June 2021	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	5,450,980	315,554	482,663	(50,325)	-	6,198,872
Inter-segment revenue	15,893	71	1,055	612,355	(629,374)	-
Segment revenue	<u>5,466,873</u>	<u>315,625</u>	<u>483,718</u>	<u>562,030</u>	<u>(629,374)</u>	<u>6,198,872</u>
Results						
Segment results	2,734,986	177,350	326,678	529,829	(613,118)	3,155,725
Share of results of associated companies						815,782
Profit before taxation						<u>3,971,507</u>
Taxation						(595,146)
Net profit for the financial year						<u>3,376,361</u>
Non-controlling interests						(1,111,107)
Profit attributable to owners of the parent						<u>2,265,254</u>
Other information						
Segment assets	237,129,240	4,224,597	26,770,655	19,493,570	(14,338,096)	<u>273,279,966</u>
Segment liabilities	207,670,126	3,267,606	23,065,819	3,118,542	2,224,435	<u>239,346,528</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

8. Segmental reporting (continued)

The Group 30 June 2020	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	4,764,262	233,003	292,238	(31,678)	-	5,257,825
Inter-segment revenue	14,094	(278)	1,331	755,030	(770,177)	-
Segment revenue	<u>4,778,356</u>	<u>232,725</u>	<u>293,569</u>	<u>723,352</u>	<u>(770,177)</u>	<u>5,257,825</u>
Results						
Segment results	2,347,064	95,750	167,790	714,313	(756,363)	2,568,554
Share of results of associated companies						<u>730,967</u>
Profit before taxation						3,299,521
Taxation						<u>(520,566)</u>
Net profit for the financial year						2,778,955
Non-controlling interests						<u>(921,453)</u>
Profit attributable to owners of the parent						<u>1,857,502</u>
Other information						
Segment assets	221,277,917	4,288,378	24,434,003	19,876,055	(16,273,167)	<u>253,603,186</u>
Segment liabilities	194,043,618	3,448,068	21,109,526	3,630,858	318,365	<u>222,550,435</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

9. Financial assets at fair value through profit or loss

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Government treasury bills	392,473	579,866
Malaysian Government securities	3,948,459	2,122,321
Malaysian Government investment certificates	2,058,036	1,376,527
Negotiable instruments of deposit	1,749,337	1,567,157
Khazanah bonds	-	19,999
Cagamas bonds	233,282	166,697
Other Government securities	5,572,222	5,596,569
	<u>13,953,809</u>	<u>11,429,136</u>
Quoted securities:		
Shares in Malaysia	4,676,764	2,718,986
Shares outside Malaysia	722,057	510,842
Wholesale fund/unit trust investments	562,405	1,029,029
Foreign currency bonds in Malaysia	-	159,401
Foreign currency bonds outside Malaysia	29,755	145,069
Investment-linked funds	312	311
Loan stocks	1,186	1,336
Warrants in Malaysia	1,763	-
	<u>5,994,242</u>	<u>4,564,974</u>
Unquoted securities:		
Shares in Malaysia	374,729	354,383
Foreign currency bonds outside Malaysia	283,724	343,648
Government sukuk	81,315	-
Corporate bonds and sukuk	7,219,388	7,003,890
Perpetual bonds	107,006	-
Redeemable preference shares	25,000	25,000
	<u>8,091,162</u>	<u>7,726,921</u>
Total financial assets at fair value through profit or loss	<u>28,039,213</u>	<u>23,721,031</u>

	The Company	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Quoted securities:		
Unit trust investments	-	292,671

10. Financial investments at fair value through other comprehensive income

	Note	The Group	
		As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
At fair value			
Debt instruments	(a)	35,731,964	28,488,979
Equity instruments	(b)	69,094	60,094
		<u>35,801,058</u>	<u>28,549,073</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	917,859	487,768
Malaysian Government securities	4,232,082	2,148,086
Malaysian Government investment certificates	12,525,973	8,339,999
Negotiable instruments of deposit	800,392	950,404
Other Government securities	87,514	312,507
Khazanah bonds	469,874	529,373
Cagamas bonds	1,587,332	1,717,798
	<u>20,621,026</u>	<u>14,485,935</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Government sukuk	903,959	470,638
Foreign currency bonds in Malaysia	2,248,808	2,131,473
Foreign currency bonds outside Malaysia	1,505,360	1,353,402
	<u>4,658,127</u>	<u>3,955,513</u>
Unquoted securities:		
Government sukuk	495,244	83,486
Corporate bonds and sukuk	9,338,672	9,160,750
Foreign currency bonds in Malaysia	270,932	306,295
Foreign currency bonds outside Malaysia	347,963	497,000
	<u>10,452,811</u>	<u>10,047,531</u>
	<u>35,731,964</u>	<u>28,488,979</u>
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	69,094	60,094

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
30 June 2021				
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>
30 June 2020				
As at 1 July	1,872	-	16,550	18,422
New financial assets originated or purchased	2,082	-	-	2,082
Financial assets derecognised	(1,177)	-	-	(1,177)
Changes due to change in credit risk	(215)	-	-	(215)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(3)	-	447	444
As at 30 June	<u>2,539</u>	<u>-</u>	<u>16,997</u>	<u>19,536</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

11. Financial investments at amortised cost

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Malaysian Government securities	4,267,888	3,056,052
Malaysian Government investment certificates	14,622,877	11,405,182
Khazanah bonds	19,234	316,038
Other Government securities	505,500	456,623
	<u>19,415,499</u>	<u>15,233,895</u>
Quoted securities:		
Foreign currency bonds in Malaysia	816,599	857,780
Foreign currency bonds outside Malaysia	65,232	145,577
	<u>881,831</u>	<u>1,003,357</u>
Unquoted securities:		
Government sukuk	2,580,570	2,659,375
Corporate bonds and sukuk	1,799,734	2,056,192
Foreign currency bonds outside Malaysia	16,639	16,964
	<u>4,396,943</u>	<u>4,732,531</u>
Less: Expected credit losses	(80)	(217)
Total financial investments at amortised cost	<u>24,694,193</u>	<u>20,969,566</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
30 June 2021				
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>
30 June 2020				
As at 1 July	216	-	827	1,043
Financial assets derecognised	(22)	-	-	(22)
Changes due to change in credit risk	20	-	-	20
Amount written off	-	-	(827)	(827)
Exchange differences	3	-	-	3
As at 30 June	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Loans, advances and financing

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Overdrafts	3,371,190	3,590,801
Term loans/financing:		
- Housing and shop loans/financing	86,120,721	82,482,204
- Hire purchase receivables	17,107,240	17,006,512
- Ijarah receivables	160,651	161,188
- Other term loans/financing and syndicated term loans	28,370,072	23,129,231
Credit/charge card receivables	2,830,912	3,094,683
Bills receivable	1,112,257	2,711,858
Trust receipts	533,845	1,489,965
Policy and premium loans	372,291	509,817
Claims on customers under acceptance credits	8,064,076	5,239,800
Revolving credits	8,347,977	7,202,385
Staff loans/financing	139,345	143,111
Other loans/financing	265	281
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	17,665	21,714
Allowance for impairment losses:		
- Expected credit losses	(1,769,750)	(1,262,761)
Total net loans, advances and financing	<u>154,778,757</u>	<u>145,520,789</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,019,858,000 (30 June 2020: RM1,023,078,000).

(a) By type of customers

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Domestic non-bank financial institutions	1,718,527	1,434,866
Domestic business enterprises:		
- Small and medium enterprises	26,079,862	22,700,453
- Others	22,832,734	20,773,294
Government and statutory bodies	1,664	1,892
Individuals	102,338,129	98,751,873
Other domestic entities	625,649	975,756
Foreign entities	2,934,277	2,123,702
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Fixed rate		
- Housing and shop loans/financing	1,499,285	1,577,809
- Hire purchase receivables	16,982,798	16,847,128
- Other fixed rate loans/financing	9,011,742	7,051,115
Variable rate		
- Base rate/base lending rate plus	107,668,954	102,135,209
- Cost plus	21,278,916	19,098,247
- Other variable rates	89,147	52,328
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Purchase of securities	1,252,939	1,046,022
Purchase of transport vehicles	16,769,062	16,769,222
Purchase of landed properties		
- Residential	77,191,630	73,336,190
- Non-residential	18,524,366	17,244,621
Purchase of fixed assets (excluding landed properties)	1,431,572	1,102,078
Personal use	3,441,092	3,437,021
Credit card	2,830,912	3,094,683
Construction	2,823,397	2,612,109
Mergers and acquisition	-	151,784
Working capital	30,292,454	25,983,290
Other purposes	1,973,418	1,984,816
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>

(d) By geographical distribution

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Malaysia	147,295,958	138,992,892
Singapore	6,186,948	5,250,416
Hong Kong	538	-
Vietnam	1,186,775	909,213
Cambodia	1,860,623	1,609,315
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>

(e) By residual contractual maturity

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Within one year	28,344,629	27,045,478
One year to less than three years	5,351,697	5,735,396
Three years to less than five years	12,369,513	10,647,842
Five years and more	110,465,003	103,333,120
Gross loans, advances and financing	<u>156,530,842</u>	<u>146,761,836</u>

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

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
As at 1 July	896,276	1,078,009
Classified as impaired during the financial year	1,095,845	1,969,496
Reclassified as non-impaired during the financial year	(700,744)	(1,158,523)
Amount written back in respect of recoveries	(252,898)	(492,076)
Amount written off	(320,659)	(502,046)
Exchange differences	(148)	1,416
As at end of the financial year	<u>717,672</u>	<u>896,276</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.6%</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Purchase of securities	304	650
Purchase of transport vehicles	71,797	71,145
Purchase of landed properties		
- Residential	267,046	341,330
- Non-residential	124,748	150,277
Purchase of fixed assets (excluding landed properties)	600	4,648
Personal use	44,705	24,479
Credit card	21,096	24,568
Construction	7,976	9,663
Working capital	147,669	200,678
Other purposes	31,731	68,838
Gross impaired loans, advances and financing	<u>717,672</u>	<u>896,276</u>

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

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Malaysia	706,957	887,929
Singapore	5,866	1,256
Vietnam	1,580	1,808
Cambodia	3,269	5,283
Gross impaired loans, advances and financing	<u>717,672</u>	<u>896,276</u>

(i) Movements in expected credit losses for loans, advances and financing 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	
The Group 30 June 2021				
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	<u>1,075,247</u>	<u>459,868</u>	<u>234,635</u>	<u>1,769,750</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
At amortised cost		
Fixed deposits	91,630,006	93,166,106
Negotiable instruments of deposits	7,276,126	8,949,638
Short-term placements	21,803,680	19,559,750
	<u>120,709,812</u>	<u>121,675,494</u>
Demand deposits	35,279,818	27,331,640
Savings deposits	23,857,612	21,018,664
Others	563,080	748,749
	<u>180,410,322</u>	<u>170,774,547</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	1,469,078	463,933
Fair value changes arising from designation at fair value through profit or loss*	(110,580)	(1,416)
	<u>1,358,498</u>	<u>462,517</u>
	<u>181,768,820</u>	<u>171,237,064</u>

*Note:

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

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

(b) By type of customers

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Government and statutory bodies	2,392,705	9,180,558
Business enterprises	83,003,914	66,853,926
Individuals	93,792,061	92,528,696
Others	2,580,140	2,673,884
	<u>181,768,820</u>	<u>171,237,064</u>

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

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Due within six months	97,955,437	100,691,104
More than six months to one year	20,881,750	19,802,680
More than one year to five years	1,251,960	999,959
More than five years	620,665	181,751
	<u>120,709,812</u>	<u>121,675,494</u>

15. Investment accounts of customers

	The Group	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Unrestricted investment accounts	1,145,154	356,475

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

16. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	30/06/2021	30/06/2020
	RM '000	RM '000
Licensed banks	9,937,337	5,492,524
Licensed investment banks	351,028	75,304
Central banks*	1,382,520	1,176,258
Other financial institutions	2,508,576	1,830,205
	<u>14,179,461</u>	<u>8,574,291</u>

*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 RM1,317,291,000 (30 June 2020: RM1,011,970,000) at concession rates.

17. Payables and other liabilities

	Note	The Group	
		As at	As at
		30/06/2021	30/06/2020
		RM '000	RM '000
Trade payables		3,765,476	3,425,048
Post employment benefits obligation - defined contribution plan		1,889	1,919
Loan advance payment		3,795,992	3,916,289
Treasury and cheque clearing		162,604	210,699
Treasury related payables		145,411	197,219
Sundry creditors and accruals		375,011	352,687
Provision for reinstatement cost		23,394	23,441
Provision for bonus and staff related expenses		259,458	211,345
Expected credit losses on financial guarantee contracts	(a)	4,563	8,480
Financial liabilities due to third party investors	(b)	7,303,953	5,609,138
Settlement accounts		525,131	322,926
Others		505,259	917,996
		<u>16,868,141</u>	<u>15,197,187</u>

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL
	12 months	Lifetime ECL	Lifetime ECL	
30 June 2021	ECL	not credit	credit	RM '000
	RM '000	impaired	impaired	RM '000
		RM '000	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	<u>3,378</u>	<u>1,185</u>	<u>-</u>	<u>4,563</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

17. Payables and other liabilities (continued)

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

The Group 30 June 2020	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(53)	47	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(57)	57	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	177	1	-	178
Financial assets derecognised	(24)	(23)	-	(47)
Changes due to change in credit risk	772	(481)	(19)	272
Exchange differences	8	149	-	157
Other movements	-	-	(8)	(8)
As at 30 June	3,260	5,220	-	8,480

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

	The Company	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
Post employment benefits obligation - defined contribution plan	40	46
Sundry creditors and accruals	1,713	1,627
Amount due to subsidiary companies	-	714
Provision for reinstatement cost	250	237
Provision for bonus and staff related expenses	15,217	5,945
	17,220	8,569

18. Interest income

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Loans, advances and financing*	1,007,589	1,003,640	4,102,089	4,650,372
Money at call and deposit placements with financial institutions	29,861	65,219	165,758	398,595
Securities purchased under resale agreements	-	5	29	49
Financial investments at fair value through other comprehensive income	203,536	197,587	764,234	728,038
Financial investments at amortised cost	130,680	130,475	537,109	445,319
Others	4,546	6,416	17,354	24,004
	1,376,212	1,403,342	5,586,573	6,246,377
Of which:				
Interest income earned on impaired loans, advances and financing	1,153	(4,019)	604	3,275

*Note:

Included the net loss effects of RM7,177,000 (30 June 2020: RM90,751,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

18. Interest income (continued)

	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Money at call and deposit placements with financial institutions	98	287	679	972
Subordinated obligations	17,659	17,659	70,830	71,024
Multi-currency Additional Tier 1 capital securities	9,823	9,823	39,400	39,508
	<u>27,580</u>	<u>27,769</u>	<u>110,909</u>	<u>111,504</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Financial assets at fair value through profit or loss	<u>55,852</u>	<u>61,175</u>	<u>208,535</u>	<u>316,685</u>

20. Interest expense

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Deposits and placements of banks and other financial institutions	15,817	25,340	77,027	169,268
Deposits from customers	388,277	628,393	1,758,328	2,849,212
Short-term placements	36,019	68,922	181,406	344,652
Borrowings	5,851	10,775	28,810	48,278
Subordinated obligations	23,472	20,757	89,674	96,654
Recourse obligations on loans sold to Cagamas Berhad	2,603	2,603	10,441	6,588
Innovative Tier 1 capital securities	-	-	-	8,413
Multi-currency Additional Tier 1 capital securities	10,011	10,010	40,153	40,262
Others	11,928	9,272	50,291	28,243
	<u>493,978</u>	<u>776,072</u>	<u>2,236,130</u>	<u>3,591,570</u>

	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Borrowings	5,870	10,793	28,885	48,352
Subordinated obligations	18,068	18,067	72,468	72,666
Multi-currency Additional Tier 1 capital securities	10,122	10,122	40,598	40,709
Others	77	94	324	572
	<u>34,137</u>	<u>39,076</u>	<u>142,275</u>	<u>162,299</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

21. Income from Islamic banking business

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Income derived from investment of depositors' funds and others*	354,220	399,514	1,410,567	1,574,201
Income derived from investment of shareholders' funds*	42,498	30,563	183,704	188,049
Income derived from investment of investment accounts	11,468	26,109	32,195	37,536
Income attributable to depositors	(169,355)	(212,676)	(689,707)	(928,214)
Income attributable to depositors on investment accounts	(6,844)	(9,439)	(17,357)	(25,032)
	<u>231,987</u>	<u>234,071</u>	<u>919,402</u>	<u>846,540</u>
Of which:				
Financing income earned on impaired financing and advances	(25)	599	(190)	996

*Note:

Included the net loss effects of RM9,430,000 (30 June 2020: RM51,716,000) 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 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Net income from insurance business	89,537	129,628	337,379	232,003
Net brokerage and commissions from stockbroking business	23,776	27,859	134,531	75,959
Net unit trust and asset management income	15,741	11,166	57,269	56,899
Fee income:				
Commissions	42,631	25,581	180,851	142,217
Service charges and fees	9,802	10,111	41,299	43,739
Guarantee fees	3,726	2,512	16,321	13,291
Credit card related fees	40,998	39,850	173,899	199,483
Corporate advisory fees	1,942	594	7,661	3,526
Commitment fees	9,119	8,385	36,946	33,150
Fee on loans, advances and financing	11,385	4,042	45,594	38,112
Placement fees	372	72	13,726	8,353
Arranger fees	823	513	3,856	3,365
Other fee income	41,014	31,206	168,500	143,302
	<u>161,812</u>	<u>122,866</u>	<u>688,653</u>	<u>628,538</u>
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	536	44,224	44,762	141,792
Financial investments at fair value through other comprehensive income	1,031	122,154	238,490	391,143
Financial investments at amortised cost	-	-	29,385	-
Derivative financial instruments	(42,472)	(21,987)	(181,290)	(23,971)
	<u>(40,905)</u>	<u>144,391</u>	<u>131,347</u>	<u>508,964</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	24,439	14,661	72,289	54,716
Financial investments at fair value through other comprehensive income	290	-	665	3,683
	<u>24,729</u>	<u>14,661</u>	<u>72,954</u>	<u>58,399</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	32,380	78,231	11,153	(13,096)
Derivative financial instruments	41,289	(12,090)	265,592	(149,749)
Investment property	(1,000)	(15,000)	(1,000)	(15,000)
	<u>72,669</u>	<u>51,141</u>	<u>275,745</u>	<u>(177,845)</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

22. Non-interest income (continued)

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 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	(1,879)	(1,519)	(6,074)	(2,994)
Net unrealised loss on fair value changes arising from fair value hedges	(710)	(533)	(3,947)	(1,531)
Other income:				
Foreign exchange (loss)/gain	(17,120)	13,620	14,146	45,775
Rental income	1,451	1,189	7,662	7,812
Net gain on disposal of property and equipment	71	64	5,379	4,200
Other non-operating income	1,790	(7,890)	5,448	3,614
	(13,808)	6,983	32,635	61,401
Total non-interest income	330,962	506,643	1,720,492	1,439,793

	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Fee income:				
Management fees	5,273	(680)	9,324	8,744
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	1	(35)	-	(35)
Derivative financial instruments	-	-	-	135
Gross dividend income from:				
Financial assets at fair value through profit or loss	-	1,658	1,120	1,800
Subsidiary companies	-	-	506,075	773,246
Other income:				
Gain on liquidation of a subsidiary	-	-	-	83
Gain from disposal of shares in subsidiary	-	-	88,122	-
Other non-operating income	55	88	541	260
Total non-interest income	5,329	1,031	605,182	784,233

23. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	310,487	302,026	1,244,643	1,207,829
- Medical expenses	8,195	12,136	33,056	39,815
- Training and convention expenses	6,670	1,390	12,817	16,451
- Staff welfare	2,932	3,395	11,998	11,198
- Others	10,759	5,456	93,805	48,899
	339,043	324,403	1,396,319	1,324,192
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,436	35,401	134,584	141,702
- Depreciation of right-of-use assets	12,544	13,752	53,148	55,211
- Amortisation of intangible assets	14,777	16,112	61,290	63,387
- Rental of premises	155	1,056	2,834	4,051
- Information technology expenses	57,103	53,042	204,533	189,228
- Security services	6,286	6,613	22,845	28,476
- Electricity, water and sewerage	6,373	5,735	22,446	24,855
- Hire of plant and machinery	3,537	3,981	13,936	13,677
- Others	6,597	13,992	28,493	34,470
	140,808	149,684	544,109	555,057

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

23. Overhead expenses (continued)

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	9,842	10,941	29,782	34,770
- Sales commission and credit card related fees	29,007	14,470	110,233	108,683
- Others	4,999	(1,396)	42,313	32,720
	<u>43,848</u>	<u>24,015</u>	<u>182,328</u>	<u>176,173</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	6,447	5,494	24,261	22,829
- Stationery and printing expenses	3,141	3,201	13,389	13,653
- Professional fees	23,251	25,288	84,402	94,073
- Insurance fees	6,294	11,424	25,649	44,147
- Stamp, postage and courier	4,485	4,463	15,928	15,719
- Credit card fees	12,704	10,034	37,525	45,771
- Travelling and transport expenses	711	1,034	3,114	4,442
- Registration and license fees	2,951	2,611	10,502	9,420
- Brokerage and commission	2,586	2,183	9,583	8,549
- Others	11,382	12,488	45,431	45,378
	<u>73,952</u>	<u>78,220</u>	<u>269,784</u>	<u>303,981</u>
	<u>597,651</u>	<u>576,322</u>	<u>2,392,540</u>	<u>2,359,403</u>
	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	9,511	(1,053)	28,952	11,280
- Medical expenses	(2)	(38)	96	104
- Training and convention expenses	12	(1)	20	19
- Staff welfare	137	139	573	566
- Others	1,997	(6,740)	8,342	1,192
	<u>11,655</u>	<u>(7,693)</u>	<u>37,983</u>	<u>13,161</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	139	177	663	748
- Depreciation of right-of-use assets	235	235	940	940
- Amortisation of intangible assets	10	-	11	1
- Information technology expenses	26	41	124	133
- Electricity, water and sewerage	12	10	36	44
- Others	89	80	275	306
	<u>511</u>	<u>543</u>	<u>2,049</u>	<u>2,172</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	14	31	34
- Stationery and printing expenses	5	6	25	26
- Professional fees	240	245	1,215	1,200
- Management fees	685	532	2,283	2,130
- Travelling and transport expenses	-	-	1	24
- Others	10	184	387	285
	<u>948</u>	<u>981</u>	<u>3,942</u>	<u>3,699</u>
	<u>13,114</u>	<u>(6,169)</u>	<u>43,974</u>	<u>19,032</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	232,628	217,435	827,947	502,084
- Clients' and brokers' balances	91	82	(838)	1,806
- Other assets	-	(381)	-	-
Impaired loans, advances and financing:				
- Written off	3,794	4,704	16,227	17,976
- Recovered from bad debt written off	(42,358)	(32,183)	(193,381)	(192,235)
	<u>194,155</u>	<u>189,657</u>	<u>649,955</u>	<u>329,631</u>

25. Allowance for impairment losses on other assets

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	344	847	261	670
- Financial investments at amortised cost	(31)	(75)	(130)	(2)
- Other receivables	(17)	114	352	194
- Cash and short-term funds	-	(192)	(54)	(371)
- Deposits and placements with banks and other financial institutions	(112)	(160)	223	(254)
	<u>184</u>	<u>534</u>	<u>652</u>	<u>237</u>
	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	195	292	-	(3)

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.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Before deducting proposed dividends								
CET 1 capital ratio	11.866%	11.432%	14.030%	13.950%	13.911%	13.761%	50.575%	42.128%
Tier 1 capital ratio	12.801%	12.399%	14.561%	14.523%	14.245%	14.118%	50.575%	42.128%
Total capital ratio	15.697%	15.382%	16.703%	16.750%	16.301%	16.245%	61.409%	52.768%
After deducting proposed dividends								
CET 1 capital ratio	11.643%	11.225%	13.552%	13.657%	13.307%	13.395%	34.419%	35.500%
Tier 1 capital ratio	12.578%	12.193%	14.083%	14.230%	13.642%	13.752%	34.419%	35.500%
Total capital ratio	15.474%	15.175%	16.224%	16.456%	15.697%	15.879%	45.253%	46.139%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000
CET 1 capital								
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	19,213,037	16,910,345	20,751,376	18,172,806	14,139,555	12,661,472	389,376	279,828
Other reserves	1,108,509	979,268	1,217,660	1,029,080	366,088	433,536	1,514	4,207
Qualifying non-controlling interests	6,410,633	5,727,807	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,834)	(719,030)	(723,344)	(719,030)	(723,344)	-	-
Less: Other intangible assets	(245,593)	(190,515)	(242,317)	(187,505)	(218,277)	(168,060)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(31,745)	(31,380)
Less: Deferred tax assets	-	-	(275,670)	(86,578)	(183,513)	(55,984)	(121,199)	(85,925)
Less: Investment in subsidiary companies/ associated companies	(8,491,639)	(7,332,038)	(5,501,542)	(4,644,527)	(2,725,221)	(2,727,486)	(200)	(200)
Total CET 1 capital	17,676,698	15,776,754	21,138,228	19,467,683	16,627,118	15,387,650	490,696	419,480

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,813	799,695	799,785	799,654	799,785	799,654	-	-
Qualifying non-controlling interests	594,101	535,266	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,393,914	1,334,961	799,785	799,654	799,785	799,654	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,393,914	1,334,961	799,785	799,654	399,785	399,654	-	-
Total Tier 1 capital	19,070,612	17,111,715	21,938,013	20,267,337	17,026,903	15,787,304	490,696	419,480
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,695,147	1,578,441	1,726,493	1,607,378	1,356,795	1,278,446	5,115	5,940
Subordinated obligations	1,599,861	1,599,820	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,019,015	938,135	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,314,023	4,116,396	3,226,463	3,107,348	2,456,765	2,378,416	105,115	105,940
Total capital	23,384,635	21,228,111	25,164,476	23,374,685	19,483,668	18,165,720	595,811	525,420

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk *	135,611,721	126,275,278	138,119,456	128,590,231	108,543,591	102,275,706	409,205	476,122
Market risk	4,167,709	2,901,209	3,778,671	2,496,060	3,895,661	2,562,366	248,108	257,167
Operational risk	9,194,803	8,833,392	8,761,958	8,468,140	7,087,877	6,983,001	312,925	262,434
Total RWA	<u>148,974,233</u>	<u>138,009,879</u>	<u>150,660,085</u>	<u>139,554,431</u>	<u>119,527,129</u>	<u>111,821,073</u>	<u>970,238</u>	<u>995,723</u>

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM847,370,000 (30 June 2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	30/06/2021	30/06/2020
Before deducting proposed dividends		
CET 1 capital ratio	11.133%	10.871%
Tier 1 capital ratio	12.535%	12.432%
Total capital ratio	<u>15.112%</u>	<u>15.173%</u>
After deducting proposed dividends		
CET 1 capital ratio	11.133%	10.871%
Tier 1 capital ratio	12.535%	12.432%
Total capital ratio	<u>15.112%</u>	<u>15.173%</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

27. Events after Balance Sheet date

There are no material events subsequent to the end of the financial year ended 30 June 2021.

28. Changes in composition of the Group

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

- (a) On 30 November 2020, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, announced that HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB, had placed Promizul Sdn Bhd ("Promizul"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Promizul is currently dormant and there are no future plans to activate the company.
- (b) On 3 May 2021, HLFGB announced that HLA Holdings Sdn Bhd, a wholly-owned subsidiary of HLFGB, had placed RC Holdings Sdn Bhd ("RCH"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. RCH is currently dormant and there are no future plans to use the company.
- (c) On 2 June 2021, HLB announced that it had placed EB Realty Sendirian Berhad ("EB Realty"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Realty is currently dormant and there are no future plans to activate the company.
- (d) On 2 August 2021, HLB announced that the liquidator of HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees") had convened the final meeting to conclude the member's voluntary winding-up of HL Bank Nominees. The Returns by Liquidator Relating to Final Meeting of HL Bank Nominees were lodged with the Accounting and Corporate Regulatory Authority (ACRA) and the Official Receiver on 2 August 2021 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, HL Bank Nominees 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.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

30. Commitments and contingencies

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

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

	The Group	
	30/06/2021 RM '000	30/06/2020 RM '000
Direct credit substitutes	172,600	134,166
Certain transaction related contingent items	1,676,061	1,489,056
Short-term self liquidating trade related contingencies	671,759	538,144
Irrevocable commitments to extend credit:		
- Less than one year	23,767,882	20,856,358
- More than one year	20,459,242	17,777,310
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	52,352
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- More than one year	30,000	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	911,550	894,438
Foreign exchange related contracts:		
- Less than one year	65,568,146	42,221,526
- One year to less than five years	5,104,301	4,089,668
- Five years and above	361,486	288,397
Interest rate related contracts:		
- Less than one year	119,693,163	20,322,617
- One year to less than five years	34,095,456	35,309,632
- Five years and above	4,387,355	2,719,803
Equity related contracts:		
- Less than one year	247,217	264,263
- One year to less than five years	121,619	136,115
- Five years and above	255,112	-
Credit related contracts:		
- Five years and above	652,187	291,272
Commodity related contracts:		
- Less than one year	55,088	-
- One year to less than five years	39,881	-
Unutilised credit card lines	7,419,464	7,463,767
Total	285,689,569	154,878,884

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

With effect from 1 May 2021, HLCB has ceased to provide guarantee for this arrangement.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

31. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

The Group 30 June 2021	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
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>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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	
30 June 2021				
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments	1,654	892,384	76,913	970,951
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>

30 June 2020

Recurring fair value measurements

Financial assets

Financial assets at fair value through profit or loss

- Money market instruments	-	11,429,136	-	11,429,136
- Quoted securities	4,564,974	-	-	4,564,974
- Unquoted securities	-	7,372,538	354,383	7,726,921

Financial investments at fair value through other comprehensive income

- Money market instruments	-	14,485,935	-	14,485,935
- Quoted securities	3,955,513	-	-	3,955,513
- Unquoted securities	-	10,047,531	60,094	10,107,625

Derivative financial instruments

	8	1,163,145	13,492	1,176,645
	<u>8,520,495</u>	<u>44,498,285</u>	<u>427,969</u>	<u>53,446,749</u>

Financial liabilities

Derivative financial instruments

	65	1,388,359	13,492	1,401,916
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Financial liabilities designated at fair value

- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	<u>65</u>	<u>1,850,876</u>	<u>13,492</u>	<u>1,864,433</u>

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

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

31. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Financial assets			Financial liability
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income	Derivative financial instruments	Derivative financial instruments
The Group	RM '000	RM '000	RM '000	RM '000
30 June 2021				
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>
30 June 2020				
As at 1 July	326,621	44,331	7,812	7,812
Fair value changes recognised in statements of income	27,762	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
As at 30 June	<u>354,383</u>	<u>60,094</u>	<u>13,492</u>	<u>13,492</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	<u>27,762</u>	<u>-</u>	<u>(8,397)</u>	<u>(8,397)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	<u>-</u>	<u>15,763</u>	<u>-</u>	<u>-</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

1. Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM953.4 million for the current quarter ended 30 June 2021 as compared to RM858.3 million in the previous corresponding quarter, an increase of RM95.1 million or 11.1%. The increase was due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM824.6 million for the current quarter ended 30 June 2021 as compared to RM648.7 million in the previous corresponding quarter, an increase of RM175.9 million or 27.1%. The increase was mainly due to higher revenue of RM135.6 million and higher share of profit from associated companies of RM54.8 million. This was offset by higher operating expenses of RM11.5 million and higher allowance for impairment losses on loans, advances and financing of RM3.0 million.

HLA Holdings Group recorded a profit before tax of RM119.9 million for the current quarter ended 30 June 2021 as compared to RM173.1 million in the previous corresponding quarter, a decrease of RM53.2 million or 30.7%. The decrease was mainly due to lower life fund surplus of RM32.4 million, lower revenue of RM8.8 million, higher operating expenses of RM6.1 million and lower share of profit from associated company of RM6.1 million.

Hong Leong Capital Group recorded a profit before tax of RM24.4 million for the current quarter ended 30 June 2021 as compared to RM37.7 million in the previous corresponding quarter, a decrease of RM13.3 million or 35.3%. 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 RM3,971.5 million for the year ended 30 June 2021 as compared to RM3,299.5 million in the previous corresponding year, an increase of RM672.0 million or 20.4%. The increase was due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM3,470.9 million for the year ended 30 June 2021 as compared to RM2,989.4 million in the previous corresponding year, an increase of RM481.5 million or 16.1%. The increase was mainly due to higher revenue of RM688.5 million, lower operating expenses of RM26.0 million and higher share of profit from associated companies of RM93.6 million. This was offset by higher allowance for impairment losses on loans, advances and financing of RM326.2 million.

HLA Holdings Group recorded a profit before tax of RM406.5 million for the year ended 30 June 2021 as compared to RM256.4 million in the previous corresponding year, an increase of RM150.1 million or 58.5%. The increase was mainly due to higher revenue of RM78.0 million and higher life fund surplus of RM112.2 million. This was offset by higher operating expenses of RM31.6 million and lower share of profit from associated company of RM8.8 million.

Hong Leong Capital Group recorded a profit before tax of RM177.4 million for the year ended 30 June 2021 as compared to RM95.8 million in the previous corresponding year, an increase of RM81.6 million or 85.2%. This was mainly due to higher contribution from investment banking, stockbroking and asset management divisions.

2. Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM953.4 million for the current quarter ended 30 June 2021 as compared to RM1,063.1 million in the preceding quarter, a decrease of RM109.7 million or 10.3%. The decrease was mainly due to lower contribution from commercial banking, investment banking and stockbroking divisions.

Hong Leong Bank Group recorded a profit before tax of RM824.6 million for the current quarter ended 30 June 2021 as compared to RM940.8 million in the preceding quarter, a decrease of RM116.2 million or 12.4%. The decrease was mainly due to lower revenue of RM53.4 million, higher operating expenses of RM19.8 million and higher allowance for impairment losses on loans, advances and financing of RM80.0 million. This was however mitigated by higher share of profit from associated companies of RM37.4 million.

HLA Holdings Group recorded a profit before tax of RM119.9 million for the current quarter ended 30 June 2021 as compared to RM93.9 million in the preceding quarter, an increase of RM26.0 million or 27.6%. The increase was mainly due to higher revenue of RM23.3 million, lower operating expenses of RM11.6 million and higher share of profit from associated company of RM11.2 million. This was offset by lower life fund surplus of RM20.2 million.

Hong Leong Capital Group recorded a profit before tax of RM24.4 million for the current quarter ended 30 June 2021 as compared to RM46.9 million in the preceding quarter, a decrease of RM22.5 million or 48.0%. This was due to lower contribution from investment banking, stockbroking and asset management divisions.

3. Prospects for the next financial year

Looking forward, we anticipate a gradual recovery of the Malaysia economy underpinned by the rapid Covid-19 vaccination rollout and the country's expected progression under the National Recovery Plan. We shall continue to prudently manage our key business risks amid gradual improvement in business sentiments and the Malaysian Government's targeted approach on movement restrictions in light of the emergence of new and increasingly virulent Covid-19 variants while allowing certain economic activities to resume. We remained cautious on the outlook of the Malaysian economy and hopeful that it will progressively recover into 2022.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM '000	RM '000	RM '000	RM '000
Income tax	331,232	158,161	921,966	635,106
Transfer to deferred tax	(67,690)	(58,321)	(116,727)	(107,061)
	263,542	99,840	805,239	528,045
Prior year over provision	(165,126)	(7,041)	(210,093)	(7,479)
	98,416	92,799	595,146	520,566

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM '000	RM '000	RM '000	RM '000
Income tax	(454)	90	-	530
Transfer (to)/from deferred tax	(73)	29	(101)	52
	(527)	119	(101)	582
Prior year over provision	-	(8,786)	-	(8,786)
	(527)	(8,667)	(101)	(8,204)

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

6. Status of corporate proposals

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

7. Borrowings

	The Group		The Company	
	As at	As at	As at	As at
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM '000	RM '000	RM '000	RM '000
Unsecured				
RM Term loans	1,000	5,001	1,000	5,001
RM Revolving credit	125,094	205,644	125,094	205,644
RM Medium term notes	-	223,027	-	253,445
RM Commercial papers	155,846	338,975	155,846	338,975
RM Senior notes	380,086	380,180	405,421	405,441
	662,026	1,152,827	687,361	1,208,506
Repayment of term loans				
- Less than one year	1,000	5,001	1,000	5,001
Repayment of revolving credit				
- Less than one year	125,094	205,644	125,094	205,644
Repayment of medium term notes				
- Less than one year	-	223,027	-	253,445
Repayment of commercial papers				
- Less than one year	155,846	338,975	155,846	338,975
Repayment of senior notes				
- Less than one year	380,086	5,530	405,421	5,455
- One to three years	-	374,650	-	399,986
	662,026	1,152,827	687,361	1,208,506

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

8. Subordinated obligations

	Note	The Group		The Company	
		As at 30/06/2021 RM '000	As at 30/06/2020 RM '000	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	300,000	-	-
Add: Interest payable		4,710	4,683	-	-
		<u>604,710</u>	<u>304,683</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		2,608	2,479	2,608	2,479
		<u>1,602,608</u>	<u>1,602,479</u>	<u>1,602,608</u>	<u>1,602,479</u>
Less: Unamortised discounts		(139)	(180)	(1,366)	(1,885)
		<u>1,602,469</u>	<u>1,602,299</u>	<u>1,601,242</u>	<u>1,600,594</u>
		<u>2,207,179</u>	<u>1,906,982</u>	<u>1,601,242</u>	<u>1,600,594</u>

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

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.

9. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000	As at 30/06/2021 RM '000	As at 30/06/2020 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	6,742	6,804	6,742	6,804
	<u>806,742</u>	<u>806,804</u>	<u>806,742</u>	<u>806,804</u>
Less: Unamortised discounts	(187)	(305)	(767)	(1,165)
	<u>806,555</u>	<u>806,499</u>	<u>805,975</u>	<u>805,639</u>

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

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

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

10. Off-balance sheet financial instruments

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	-
(ii) 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)
Total	230,581,011	1,051,628	(970,951)

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

10. Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2020

The Group

Items	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	34,236,510	320,329	(194,060)
(ii) 1 year to 3 years	260,554	3,542	-
- Swaps			
(i) Less than 1 year	6,917,527	54,815	(99,482)
(ii) 1 year to 3 years	2,269,351	89,753	(46,348)
(iii) More than 3 years	1,848,160	82,187	(2,092)
- Options			
(i) Less than 1 year	1,067,489	6,746	(7,343)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	1,744,100	492	(65)
(ii) 1 year to 3 years	1,284,000	8	-
- Swaps			
(i) Less than 1 year	18,578,517	54,213	(83,659)
(ii) 1 year to 3 years	24,290,388	227,966	(509,539)
(iii) More than 3 years	12,150,652	295,485	(404,715)
- Cross currency swaps			
(i) 1 year to 3 years	197,275	6,436	-
(ii) More than 3 years	107,120	1,220	(21,158)
Equity related contracts			
(i) Less than 1 year	264,263	11,970	(11,972)
(ii) 1 year to 3 years	136,115	1,523	(1,523)
Credit related contracts			
(i) More than 3 years	291,272	19,960	(19,960)
Total	105,643,293	1,176,645	(1,401,916)

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 year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM327,979,000 (30 June 2020: RM105,074,000) and RM154,955,054,000 (30 June 2020: RM55,595,557,000) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,122,776,000 (30 June 2020: RM1,136,760,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

10. Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives

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

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

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

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

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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 final single-tier dividend of 29.2 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 29.2 sen per share
- (ii) Previous corresponding period: 25.0 sen per share
- (iii) Entitlement date: To be announced later
- (iv) Payment date: To be announced later

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 year.

	The Group		The Group	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Net profit attributable to equity holders	573,366	525,141	2,265,254	1,857,502
Weighted average number of ordinary shares ('000)	1,133,789	1,133,799	1,133,791	1,135,392
Basic earnings per share (sen)	50.6	46.3	199.8	163.6
	The Company		The Company	
	Current quarter ended 30/06/2021 RM '000	Last year quarter ended 30/06/2020 RM '000	Current year to date 30/06/2021 RM '000	Last year to date 30/06/2020 RM '000
Net (loss)/profit attributable to equity holders	(14,010)	4,268	529,943	722,613
Weighted average number of ordinary shares ('000)	1,137,881	1,137,881	1,137,881	1,137,985
Basic earnings per share (sen)	(1.2)	0.4	46.6	63.5

(b) Diluted earnings per share

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

Dated this 30 August 2021