

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	9,605,894	6,930,705
Deposits and placements with banks and other financial institutions	1,300,746	7,190,479
Financial assets at fair value through profit or loss	29,470,629	28,039,213
Financial investments at fair value through other comprehensive income	27,452,943	35,801,058
Financial investments at amortised cost	33,608,857	24,694,193
Derivative financial instruments	1,902,169	1,051,628
Loans, advances and financing	167,177,303	154,778,757
Clients' and brokers' balances	722,181	526,781
Other receivables	2,431,500	2,119,230
Statutory deposits with Central Banks	520,650	493,605
Tax recoverable	6,262	55,975
Deferred tax assets	364,931	19,253
Investment in associated companies	7,660,825	6,872,915
Property and equipment	1,274,380	1,355,232
Right-of-use assets	214,355	210,694
Investment properties	471,610	469,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	324,938	259,994
<b>Total Assets</b>	<b>286,920,817</b>	<b>273,279,966</b>
<b><u>Liabilities</u></b>		
Deposits from customers	197,382,921	181,768,820
Investment accounts of customers	2,668,408	1,145,154
Deposits and placements of banks and other financial institutions	8,229,485	14,179,461
Obligations on securities sold under repurchase agreements	3,971,304	742,750
Bills and acceptances payable	241,361	189,642
Derivative financial instruments	1,765,006	970,951
Clients' and brokers' balances	306,901	207,183
Payables and other liabilities	12,001,014	16,868,141
Lease liabilities	212,599	204,872
Recourse obligations on loans/financing sold to Cagamas Berhad	1,623,936	1,033,839
Provision for claims	338,005	247,366
Provision for taxation	331,101	380,809
Borrowings	411,931	662,026
Subordinated obligations	2,207,083	2,207,179
Multi-currency Additional Tier 1 capital securities	1,715,849	806,555
Insurance funds	17,524,189	17,731,780
<b>Total Liabilities</b>	<b>250,931,093</b>	<b>239,346,528</b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	1,848,143	1,491,989
Retained profits	20,937,790	19,213,037
Fair value reserve	(541,311)	85,375
Treasury shares for ESOS	(236,039)	(238,970)
<b>Total Shareholders' Equity</b>	<b>24,275,591</b>	<b>22,818,439</b>
Non-controlling interests	11,714,133	11,114,999
<b>Total Equity</b>	<b>35,989,724</b>	<b>33,933,438</b>
<b>Total Liabilities and Equity</b>	<b>286,920,817</b>	<b>273,279,966</b>
<b>Commitments and Contingencies</b>	<b>214,693,156</b>	<b>285,689,569</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	21.41	20.13

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<b>THE GROUP</b>				
Interest income	1,457,456	1,376,212	5,672,747	5,586,573
Interest income for financial assets at fair value through profit or loss	70,127	55,852	270,941	208,535
Interest expense	(577,900)	(493,978)	(2,087,184)	(2,236,130)
Net interest income	949,683	938,086	3,856,504	3,558,978
Income from Islamic banking business	239,303	231,987	904,785	919,402
Non-interest income	456,378	330,962	1,490,227	1,720,492
Net income	1,645,364	1,501,035	6,251,516	6,198,872
Overhead expenses	(608,020)	(597,651)	(2,358,210)	(2,392,540)
Operating profit before allowances	1,037,344	903,384	3,893,306	3,806,332
Allowance for impairment losses on loans, advances and financing and other losses	(30,211)	(194,155)	(163,117)	(649,955)
Writeback of/(allowance for) impairment losses on other assets	544	(184)	1,031	(652)
	1,007,677	709,045	3,731,220	3,155,725
Share of results of associated companies	326,547	244,393	1,108,759	815,782
Profit before taxation	1,334,224	953,438	4,839,979	3,971,507
Taxation	(326,561)	(98,416)	(1,157,118)	(595,146)
Net profit for the financial year	<u>1,007,663</u>	<u>855,022</u>	<u>3,682,861</u>	<u>3,376,361</u>
Attributable to:				
Owners of the parent	674,683	573,366	2,452,209	2,265,254
Non-controlling interests	332,980	281,656	1,230,652	1,111,107
Net profit for the financial year	<u>1,007,663</u>	<u>855,022</u>	<u>3,682,861</u>	<u>3,376,361</u>
Earnings per share - basic (sen)	<u>59.5</u>	<u>50.6</u>	<u>216.3</u>	<u>199.8</u>

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<b>THE GROUP</b>				
Net profit for the financial year	1,007,663	855,022	3,682,861	3,376,361
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	14,286	9,396	14,286	9,228
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive loss of associated companies	(29,726)	(12,573)	(29,506)	(25,341)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(384,464)	154,809	(1,191,736)	(297,810)
- Changes in expected credit losses	(344)	352	(751)	229
Net fair value changes in cash flow hedge	(2,901)	(1,471)	7,574	3,235
Currency translation differences	32,134	98,968	236,815	278,293
Income tax relating to components of other comprehensive income	84,984	(35,655)	259,268	70,002
Other comprehensive (loss)/income for the financial year, net of tax	(286,031)	213,826	(704,050)	37,836
Total comprehensive income for the financial year, net of tax	721,632	1,068,848	2,978,811	3,414,197
Attributable to:				
Owners of the parent	486,759	710,562	1,987,685	2,285,126
Non-controlling interests	234,873	358,286	991,126	1,129,071
	721,632	1,068,848	2,978,811	3,414,197

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short-term funds	26,609	10,614
Deposits and placements with banks and other financial institutions	3,360	3,360
Other receivables	2,635	1,972
Tax recoverable	492	10,836
Deferred tax assets	229	184
Investment in subsidiary companies	19,459,428	19,458,252
Property and equipment	4,803	3,189
Right-of-use assets	4,075	5,015
Intangible assets	76	107
<b>Total Assets</b>	<b><u>19,501,707</u></b>	<b><u>19,493,529</u></b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	14,868	17,220
Lease liabilities	4,249	5,099
Borrowings	411,858	687,361
Subordinated obligations	1,601,624	1,601,242
Multi-currency Additional Tier 1 capital securities	806,431	805,975
<b>Total Liabilities</b>	<b><u>2,839,030</u></b>	<b><u>3,116,897</u></b>
<b><u>Equity</u></b>		
Share capital	2,267,008	2,267,008
Capital reserves	257,676	279,206
Retained profits	14,315,649	14,011,005
Treasury shares for ESOS	(177,656)	(180,587)
<b>Total Equity</b>	<b><u>16,662,677</u></b>	<b><u>16,376,632</u></b>
<b>Total Liabilities and Equity</b>	<b><u>19,501,707</u></b>	<b><u>19,493,529</u></b>

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<b>THE COMPANY</b>				
Interest income	27,643	27,580	110,792	110,909
Interest expense	(30,745)	(34,137)	(127,679)	(142,275)
Net interest expense	(3,102)	(6,557)	(16,887)	(31,366)
Non-interest income	2,405	5,329	830,274	605,182
Net (expense)/income	(697)	(1,228)	813,387	573,816
Overhead income/(expenses)	11,485	(13,114)	(6,717)	(43,974)
Writeback of/(allowance for) impairment losses on other assets	1,058	(195)	1,253	-
Profit/(loss) before taxation	11,846	(14,537)	807,923	529,842
Taxation	(60)	527	(251)	101
Net profit/(loss) for the financial year	<u>11,786</u>	<u>(14,010)</u>	<u>807,672</u>	<u>529,943</u>
Earnings per share - basic (sen)	<u>1.0</u>	<u>(1.2)</u>	<u>71.0</u>	<u>46.6</u>

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<b>THE COMPANY</b>				
Net profit/(loss) for the financial year	11,786	(14,010)	807,672	529,943
Other comprehensive income for the financial year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the financial year, net of tax	<u>11,786</u>	<u>(14,010)</u>	<u>807,672</u>	<u>529,943</u>

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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 2022**

<b>THE GROUP</b>	<b>Share capital RM '000</b>	<b>Regulatory reserves# RM '000</b>	<b>Fair value reserve RM '000</b>	<b>Cash flow hedge reserve RM '000</b>	<b>Other reserves RM '000</b>	<b>Share options reserve RM '000</b>	<b>Exchange fluctuation reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total shareholders' equity RM '000</b>	<b>Non-controlling interests RM '000</b>	<b>Total equity RM '000</b>
As at 1 July 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
<b>Comprehensive income</b>												
Net profit for the financial year	-	-	-	-	-	-	-	2,452,209	-	2,452,209	1,230,652	3,682,861
Currency translation differences	-	-	-	-	-	-	158,388	-	-	158,388	78,427	236,815
Share of other comprehensive income of associated companies	-	-	(23,735)	-	-	-	-	-	-	(23,735)	(5,771)	(29,506)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	9,362	-	-	-	-	-	-	9,362	4,924	14,286
- Debt instruments												
- Net fair value changes	-	-	(611,803)	-	-	-	-	-	-	(611,803)	(318,849)	(930,652)
- Changes in expected credit losses	-	-	(510)	-	-	-	-	-	-	(510)	(241)	(751)
Net fair value changes in cash flow hedge	-	-	-	3,774	-	-	-	-	-	3,774	1,984	5,758
Total comprehensive (loss)/income	-	-	(626,686)	3,774	-	-	158,388	2,452,209	-	1,987,685	991,126	2,978,811
<b>Transaction with owners</b>												
Transfer to regulatory reserve	-	229,431	-	-	-	-	-	(229,431)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,503)	-	(4,503)	4,503	-
Dividends paid	-	-	-	-	-	-	-	(502,967)	-	(502,967)	-	(502,967)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(401,835)	(401,835)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	5,340	5,340
Options charge arising from executive share scheme	-	-	-	-	-	(20,447)	-	-	-	(20,447)	-	(20,447)
Exercise of executive share scheme	-	-	-	-	-	(14,992)	-	9,445	2,931	(2,616)	-	(2,616)
<b>As at 30 June 2022</b>	<b>2,267,008</b>	<b>666,534</b>	<b>(541,311)</b>	<b>(185)</b>	<b>213,314</b>	<b>60,866</b>	<b>907,614</b>	<b>20,937,790</b>	<b>(236,039)</b>	<b>24,275,591</b>	<b>11,714,133</b>	<b>35,989,724</b>

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

**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

<b>THE GROUP</b>	<b>Share capital RM '000</b>	<b>Regulatory reserves# RM '000</b>	<b>Fair value reserve RM '000</b>	<b>Cash flow hedge reserve RM '000</b>	<b>Other reserves RM '000</b>	<b>Share options reserve RM '000</b>	<b>Exchange fluctuation reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total shareholders' equity RM '000</b>	<b>Non-controlling interests RM '000</b>	<b>Total equity RM '000</b>
As at 1 July 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
<b>As at 30 June 2021</b>	<b>2,267,008</b>	<b>437,103</b>	<b>85,375</b>	<b>(3,959)</b>	<b>213,314</b>	<b>96,305</b>	<b>749,226</b>	<b>19,213,037</b>	<b>(238,970)</b>	<b>22,818,439</b>	<b>11,114,999</b>	<b>33,933,438</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM655,289,000 (30 June 2021: RM425,858,000) 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 2021: 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 2022**

<b><u>THE COMPANY</u></b>	<b>Share capital RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Retained profits RM '000</b>	<b>Total equity RM '000</b>
As at 1 July 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net profit for the financial year	-	-	-	-	807,672	807,672
Dividends paid	-	-	-	-	(502,967)	(502,967)
Options charge arising from executive share scheme	-	-	(18,660)	-	-	(18,660)
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
<b>As at 30 June 2022</b>	<b>2,267,008</b>	<b>254,991</b>	<b>2,685</b>	<b>(177,656)</b>	<b>14,315,649</b>	<b>16,662,677</b>
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net profit for the financial year	-	-	-	-	529,943	529,943
Dividends paid	-	-	-	-	(407,361)	(407,361)
Options charge arising from executive share scheme	-	-	7,264	-	-	7,264
<b>As at 30 June 2021</b>	<b>2,267,008</b>	<b>254,991</b>	<b>24,215</b>	<b>(180,587)</b>	<b>14,011,005</b>	<b>16,376,632</b>

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	The Group		The Company	
	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000
Profit before taxation	4,839,979	3,971,507	807,923	529,842
Adjustment for non-cash items	(2,473,662)	(192,143)	(822,513)	(555,229)
Operating profit/(loss) before working capital changes	2,366,317	3,779,364	(14,590)	(25,387)
Income tax paid	(1,148,369)	(651,386)	9,847	(88)
Interest received	562	679	562	679
Changes in working capital				
Net changes in operating assets	(10,729,653)	(12,016,935)	(702)	336,536
Net changes in operating liabilities	9,850,671	16,289,365	(2,189)	8,615
Net cash generated from/(used in) operating activities	339,528	7,401,087	(7,072)	320,355

**Cash flows from investing activities**

Net sales/(purchases) of financial investments at fair value through other comprehensive income	7,507,960	(7,234,098)	-	-
Net purchases of financial investments at amortised cost	(8,914,664)	(3,695,242)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,362,950	1,301,343	-	-
Purchase of intangible assets	(41,382)	(30,007)	(8)	(116)
Purchase of property and equipment	(136,582)	(132,843)	(2,374)	(366)
Net proceeds from disposal of property and equipment	2,088	9,472	160	248
Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	73,602	72,954	193	1,120
Dividends received from subsidiary companies	-	-	820,911	506,075
Dividends received from associated companies	79,954	11,993	-	-
Proceeds from disposal of shares in subsidiary	-	127,892	-	127,892
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	39,344	39,461
- Interest on subordinated obligations	-	-	70,963	70,703
Net cash (used in)/generated from investing activities	(66,074)	(9,568,536)	929,189	745,017

**Cash flows from financing activities**

Dividends paid to equity holders of the Company	(502,967)	(407,361)	(502,967)	(407,361)
Dividends paid to non-controlling interests	(401,835)	(261,496)	-	-
Purchase of treasury shares	-	(136)	-	-
Cash received from executive share scheme exercised	916	4,633	-	-
Repayment of lease liabilities	(46,650)	(48,034)	(850)	(806)
Repayment of revolving credit	(25,000)	(80,000)	(25,000)	(80,000)
Repayment of commercial papers	(46,000)	(184,000)	(46,000)	(184,000)
Repayment of medium term notes	-	(220,000)	-	(250,000)
Repayment of senior notes	(175,000)	-	(200,000)	-
Repayment of term loans	(1,000)	(4,000)	(1,000)	(4,000)
Proceeds from subordinated obligations	-	300,000	-	-
Proceeds from Multi-currency Additional Tier 1 capital securities	900,000	-	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	650,000	-	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(64,174)	(14,957)	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(40,142)	(40,262)	(40,142)	(40,262)
Interest paid on subordinated obligations	(94,535)	(89,477)	(72,086)	(71,820)
Interest paid on borrowings	(17,364)	(31,611)	(17,833)	(32,030)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(40,431)	(36,830)	-	-
Interest paid on lease liabilities	(8,750)	(9,453)	(244)	(289)
Net cash generated from/(used in) financing activities	87,068	(1,122,984)	(906,122)	(1,070,568)

Net increase/(decrease) in cash and cash equivalents	360,522	(3,290,433)	15,995	(5,196)
Effects of exchange rate changes	291,160	145,259	-	-
Cash and cash equivalents at 1 July	9,193,042	12,338,216	10,674	15,870
Cash and cash equivalents at 30 June	<b>9,844,724</b>	<b>9,193,042</b>	<b>26,669</b>	<b>10,674</b>

**Analysis of cash and cash equivalents**

Cash and short-term funds	9,605,894	6,930,705	26,609	10,614
Deposits and placements with banks and other financial institutions	1,300,746	7,190,479	3,360	3,360
	10,906,640	14,121,184	29,969	13,974
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,061,916)	(4,928,142)	(3,300)	(3,300)
	<b>9,844,724</b>	<b>9,193,042</b>	<b>26,669</b>	<b>10,674</b>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**1. Basis of preparation**

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

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

The unaudited condensed financial statements incorporate the activities relating to the Islamic banking and Takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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

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

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

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

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

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

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial year ended 30 June 2022 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) Executive Share Option Scheme ("ESOS") due to non-performance of KPIs.

On 3 November 2021, the Company has granted 469,210 ordinary shares in the Company to eligible executives pursuant to the Executive Share Grant Scheme ("ESGS"). The vesting of the 469,210 free ordinary shares in the Company will be done in tranches over a period of 3 years from the date of the grant.

During the financial year ended 30 June 2022, a total of 12,425,000 share options under ESOS has lapsed and a total of 156,404 grant shares were vested and transferred pursuant to the ESGS.

As at 30 June 2022, the total number of Treasury Shares for ESOS is 9,479,596 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM177,656,388.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 June 2022 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESOS at the Group level.

**7. Dividends paid**

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

An interim single-tier dividend of 15.0 sen per share in respect of financial year ended 30 June 2022 amounting to RM170.7 million was paid on 30 March 2022.

**8. Segmental reporting**

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

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

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

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

**Business segments**

The Group comprises the following main business segments:

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

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**8. Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>30 June 2022</b>						
<b>Revenue</b>						
External revenue	5,575,202	222,478	475,131	(21,295)	-	6,251,516
Inter-segment revenue	22,206	882	1,414	816,261	(840,763)	-
Segment revenue	<u>5,597,408</u>	<u>223,360</u>	<u>476,545</u>	<u>794,966</u>	<u>(840,763)</u>	<u>6,251,516</u>
<b>Results</b>						
Segment results	3,336,309	97,172	315,396	807,912	(825,569)	3,731,220
Share of results of associated companies						<u>1,108,759</u>
Profit before taxation						4,839,979
Taxation						<u>(1,157,118)</u>
Net profit for the financial year						3,682,861
Non-controlling interests						<u>(1,230,652)</u>
Profit attributable to owners of the parent						<u>2,452,209</u>
<b>Other information</b>						
Segment assets	254,331,377	4,276,873	27,237,632	19,501,749	(18,426,814)	<u>286,920,817</u>
Segment liabilities	223,342,401	3,331,880	23,268,856	2,840,682	(1,852,726)	<u>250,931,093</u>

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**8. Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial banking RM '000</b>	<b>Investment banking RM '000</b>	<b>Insurance RM '000</b>	<b>Other operations RM '000</b>	<b>Eliminations/ consolidation adjustments RM '000</b>	<b>Consolidated RM '000</b>
<b>30 June 2021</b>						
<b>Revenue</b>						
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>
<b>Results</b>						
Segment results	2,734,986	177,350	326,678	529,829	(613,118)	3,155,725
Share of results of associated companies						<u>815,782</u>
Profit before taxation						<u>3,971,507</u>
Taxation						<u>(595,146)</u>
Net profit for the financial year						<u>3,376,361</u>
Non-controlling interests						<u>(1,111,107)</u>
Profit attributable to owners of the parent						<u><u>2,265,254</u></u>
<b>Other information</b>						
Segment assets	237,129,240	4,224,597	26,770,655	19,493,570	(14,338,096)	<u><u>273,279,966</u></u>
Segment liabilities	207,670,126	3,267,606	23,065,819	3,118,542	2,224,435	<u><u>239,346,528</u></u>

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

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Money market instruments:		
Bank Negara Malaysia bills	49,806	-
Government treasury bills	2,083,409	392,473
Malaysian Government securities	4,323,656	3,948,459
Malaysian Government investment certificates	741,032	2,058,036
Negotiable instruments of deposit	1,473,440	1,749,337
Cagamas bonds	65,587	233,282
Other Government securities	5,761,134	5,572,222
	<u>14,498,064</u>	<u>13,953,809</u>
Quoted securities:		
Shares in Malaysia	4,758,170	4,676,764
Shares outside Malaysia	553,017	722,057
Wholesale fund/unit trust investments	749,777	562,405
Portfolio Investment Accounts (Note)	9,097	-
Foreign currency bonds in Malaysia	11,938	-
Foreign currency bonds outside Malaysia	31,120	29,755
Convertible bonds outside Malaysia	1,108,752	-
Investment-linked funds	305	312
Loan stocks	1,073	1,186
Warrants in Malaysia	3,545	1,763
	<u>7,226,794</u>	<u>5,994,242</u>
Unquoted securities:		
Shares in Malaysia	382,664	374,729
Foreign currency bonds outside Malaysia	9,047	283,724
Government sukuk	101,766	81,315
Corporate bonds and sukuk	7,141,464	7,219,388
Perpetual bonds	85,830	107,006
Redeemable preference shares	25,000	25,000
	<u>7,745,771</u>	<u>8,091,162</u>
	<u>29,470,629</u>	<u>28,039,213</u>
Total financial assets at fair value through profit or loss	<u>29,470,629</u>	<u>28,039,213</u>

Note :

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

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

	Note	<b>The Group</b>	
		<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
<b>At fair value</b>			
Debt instruments	(a)	27,369,557	35,731,964
Equity instruments	(b)	83,386	69,094
		<u>27,452,943</u>	<u>35,801,058</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	-	917,859
Malaysian Government securities	3,791,081	4,232,082
Malaysian Government investment certificates	9,197,348	12,525,973
Negotiable instruments of deposit	1,796,800	800,392
Other Government securities	-	87,514
Khazanah bonds	348,079	469,874
Cagamas bonds	890,863	1,587,332
	<u>16,024,171</u>	<u>20,621,026</u>

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

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Government sukuk	831,321	903,959
Foreign currency bonds in Malaysia	1,216,476	2,248,808
Foreign currency bonds outside Malaysia	842,415	1,505,360
	2,890,212	4,658,127
Unquoted securities:		
Government sukuk	417,257	495,244
Corporate bonds and sukuk	7,537,091	9,338,672
Foreign currency bonds in Malaysia	175,112	270,932
Foreign currency bonds outside Malaysia	325,714	347,963
	8,455,174	10,452,811
	27,369,557	35,731,964
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	83,386	69,094

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	
<b>The Group</b>				
<b>30 June 2022</b>				
As at 1 July	2,741	-	16,647	19,388
New financial assets originated or purchased	300	-	-	300
Financial assets derecognised	(1,058)	-	-	(1,058)
Changes due to change in credit risk	(69)	-	-	(69)
Exchange differences	67	-	760	827
As at 30 June	1,981	-	17,407	19,388
<b>30 June 2021</b>				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	1,464	-	-	1,464
Financial assets derecognised	(1,174)	-	-	(1,174)
Changes due to change in credit risk	(9)	-	-	(9)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(59)	-	(350)	(409)
As at 30 June	2,741	-	16,647	19,388

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**11. Financial investments at amortised cost**

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
Money market instruments:		
Government treasury bills	57,612	-
Malaysian Government securities	5,413,511	4,267,888
Malaysian Government investment certificates	23,305,894	14,622,877
Cagamas bonds	416,700	-
Khazanah bonds	13,889	19,234
Other Government securities	419,246	505,500
	<u>29,626,852</u>	<u>19,415,499</u>
Quoted securities:		
Foreign currency bonds in Malaysia	-	816,599
Foreign currency bonds outside Malaysia	62,174	65,232
	<u>62,174</u>	<u>881,831</u>
Unquoted securities:		
Government sukuk	2,583,133	2,580,570
Corporate bonds and sukuk	1,336,766	1,799,734
Foreign currency bonds outside Malaysia	-	16,639
	<u>3,919,899</u>	<u>4,396,943</u>
Less: Expected credit losses	(68)	(80)
Total financial investments at amortised cost	<u>33,608,857</u>	<u>24,694,193</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>The Group</b>				
<b>30 June 2022</b>				
As at 1 July	80	-	-	80
New financial assets originated or purchased	67	-	-	67
Financial assets derecognised	(81)	-	-	(81)
Exchange differences	2	-	-	2
As at 30 June	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>
<b>30 June 2021</b>				
As at 1 July	217	-	-	217
New financial assets originated or purchased	44	-	-	44
Changes due to change in credit risk	(174)	-	-	(174)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	(6)	-	-	(6)
As at 30 June	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>

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**12. Loans, advances and financing**

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Overdrafts	3,546,936	3,371,190
Term loans/financing:		
- Housing and shop loans/financing	91,169,501	86,120,721
- Hire purchase receivables	18,035,880	17,107,240
- Ijarah receivables	247,445	160,651
- Other term loans/financing and syndicated term loans	32,347,688	28,370,072
Credit/charge card receivables	2,923,883	2,830,912
Bills receivable	1,539,682	1,112,257
Trust receipts	417,252	533,845
Policy and premium loans	295,962	372,291
Claims on customers under acceptance credits	8,817,344	8,064,076
Revolving credits	9,455,248	8,347,977
Staff loans/financing	127,105	139,345
Other loans/financing	128	265
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(9,962)	17,665
Allowance for impairment losses:		
- Expected credit losses	(1,736,789)	(1,769,750)
Total net loans, advances and financing	<u>167,177,303</u>	<u>154,778,757</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,572,077,000 (30 June 2021: RM1,019,858,000).

(a) By type of customers

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Domestic non-bank financial institutions	1,946,823	1,718,527
Domestic business enterprises:		
- Small and medium enterprises	30,175,416	26,079,862
- Others	25,204,745	22,832,734
Government and statutory bodies	1,387	1,664
Individuals	108,121,079	102,338,129
Other domestic entities	103,122	625,649
Foreign entities	3,371,482	2,934,277
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Fixed rate		
- Housing and shop loans/financing	1,387,967	1,499,285
- Hire purchase receivables	17,965,989	16,982,798
- Other fixed rate loans/financing	9,809,189	9,011,742
Variable rate		
- Base rate/base lending rate plus	116,345,805	107,668,954
- Cost plus	23,275,400	21,278,916
- Other variable rates	139,704	89,147
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>

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

(c) By economic purposes

	The Group	
	As at	As at
	30/06/2022	30/06/2021
	RM '000	RM '000
Purchase of securities	1,311,692	1,252,939
Purchase of transport vehicles	17,653,587	16,769,062
Purchase of landed properties		
- Residential	82,434,291	77,191,630
- Non-residential	20,519,124	18,524,366
Purchase of fixed assets (excluding landed properties)	1,613,109	1,431,572
Personal use	3,706,863	3,441,092
Credit card	2,923,883	2,830,912
Construction	3,531,187	2,823,397
Working capital	33,798,279	30,292,454
Other purposes	1,432,039	1,973,418
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>

(d) By geographical distribution

	The Group	
	As at	As at
	30/06/2022	30/06/2021
	RM '000	RM '000
Malaysia	157,168,978	147,295,958
Singapore	7,624,640	6,186,948
Hong Kong	21,090	538
Vietnam	1,652,819	1,186,775
Cambodia	2,456,527	1,860,623
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>

(e) By residual contractual maturity

	The Group	
	As at	As at
	30/06/2022	30/06/2021
	RM '000	RM '000
Within one year	31,300,399	28,344,629
One year to less than three years	6,836,044	5,351,697
Three years to less than five years	11,278,670	12,369,513
Five years and more	119,508,941	110,465,003
Gross loans, advances and financing	<u>168,924,054</u>	<u>156,530,842</u>

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

	The Group	
	As at	As at
	30/06/2022	30/06/2021
	RM '000	RM '000
As at 1 July	717,672	896,276
Classified as impaired during the financial year	1,349,630	1,095,845
Reclassified as non-impaired during the financial year	(620,581)	(700,744)
Amount written back in respect of recoveries	(204,699)	(252,898)
Amount written off	(424,253)	(320,659)
Exchange differences	2,109	(148)
As at end of the financial year	<u>819,878</u>	<u>717,672</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.5%</u>

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

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

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Purchase of securities	232	304
Purchase of transport vehicles	35,282	71,797
Purchase of landed properties		
- Residential	315,073	267,046
- Non-residential	151,278	124,748
Purchase of fixed assets (excluding landed properties)	485	600
Personal use	44,522	44,705
Credit card	21,419	21,096
Construction	9,271	7,976
Working capital	207,698	147,669
Other purposes	34,618	31,731
Gross impaired loans, advances and financing	<u>819,878</u>	<u>717,672</u>

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

	<b>The Group</b>	
	<b>As at 30/06/2022 RM '000</b>	<b>As at 30/06/2021 RM '000</b>
Malaysia	805,766	706,957
Singapore	841	5,866
Vietnam	1,585	1,580
Cambodia	11,686	3,269
Gross impaired loans, advances and financing	<u>819,878</u>	<u>717,672</u>

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM '000</b>
	<b>12 months ECL RM '000</b>	<b>Lifetime ECL not credit impaired RM '000</b>	<b>Lifetime ECL credit impaired RM '000</b>	
<b>The Group</b>				
<b>30 June 2022</b>				
As at 1 July	1,075,247	459,868	234,635	1,769,750
Changes in ECL due to transfer within stages	(56,893)	(237,992)	294,885	-
Transfer to Stage 1	33,363	(33,201)	(162)	-
Transfer to Stage 2	(87,725)	148,017	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,280	240	299	39,819
Financial assets derecognised	(16,030)	(26,665)	(15,840)	(58,535)
Changes due to change in credit risk	(60,385)	235,423	250,768	425,806
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,884)	(425,884)
Exchange differences	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
As at 30 June	<u>977,229</u>	<u>423,913</u>	<u>335,647</u>	<u>1,736,789</u>



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**14. Deposits from customers**

(a) By type of deposits

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
<b>At amortised cost</b>		
Fixed deposits	94,334,763	91,630,006
Negotiable instruments of deposits	8,626,532	7,276,126
Short-term placements	25,984,088	21,803,680
	<u>128,945,383</u>	<u>120,709,812</u>
Demand deposits	41,151,127	35,279,818
Savings deposits	24,771,649	23,857,612
Others	449,369	563,080
	<u>195,317,528</u>	<u>180,410,322</u>
<b>At fair value through profit or loss</b>		
Structured deposits linked to interest rate derivatives	2,425,376	1,469,078
Fair value changes arising from designation at fair value through profit or loss*	(359,983)	(110,580)
	<u>2,065,393</u>	<u>1,358,498</u>
	<u><u>197,382,921</u></u>	<u><u>181,768,820</u></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 30/06/2022 RM '000	As at 30/06/2021 RM '000
Government and statutory bodies	3,703,073	2,392,705
Business enterprises	91,954,329	83,003,914
Individuals	99,418,027	93,792,061
Others	2,307,492	2,580,140
	<u>197,382,921</u>	<u>181,768,820</u>

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

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
Due within six months	104,131,355	97,955,437
More than six months to one year	20,172,188	20,881,750
More than one year to five years	3,835,461	1,251,960
More than five years	806,379	620,665
	<u>128,945,383</u>	<u>120,709,812</u>

**15. Investment accounts of customers**

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
Unrestricted investment accounts - Mudarabah with maturity	2,659,311	1,145,154
Restricted investment accounts - Wakalah bi Al-Istithmar	9,097	-
	<u>2,668,408</u>	<u>1,145,154</u>

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

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

	The Group	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
Licensed banks	5,007,600	9,937,337
Licensed investment banks	22,067	351,028
Central banks*	1,579,601	1,382,520
Other financial institutions	1,620,217	2,508,576
	8,229,485	14,179,461

**\*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 RM1,579,601,000 (30 June 2021: RM1,317,291,000) at concession rates.

**17. Payables and other liabilities**

	Note	The Group	
		As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
Trade payables		4,149,662	3,765,476
Post employment benefits obligation - defined contribution plan		1,905	1,889
Loan advance payment		3,829,956	3,795,992
Treasury and cheque clearing		128,773	162,604
Cash collateral pledged for derivative transactions		213,260	145,411
Sundry creditors and accruals		402,365	375,011
Provision for reinstatement cost		22,948	23,394
Provision for bonus and staff related expenses		244,062	259,458
Expected credit losses on financial guarantee contracts	(a)	3,657	4,563
Financial liabilities due to third party investors	(b)	1,589,696	7,303,953
Settlement accounts		824,436	525,131
Others		590,294	505,259
		12,001,014	16,868,141

**Note:**

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>30 June 2022</b>				
As at 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	15	(199)	184	-
Transfer to Stage 1	70	(70)	-	-
Transfer to Stage 2	(55)	55	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	170	-	-	170
Financial assets derecognised	(1,143)	(4)	-	(1,147)
Changes due to change in credit risk	647	(425)	(184)	38
Changes in models/risk parameters	(92)	(38)	-	(130)
Exchange differences	141	22	-	163
As at 30 June	3,116	541	-	3,657

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

Note: (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
<b>30 June 2021</b>				
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>

(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 30/06/2022 RM '000	As at 30/06/2021 RM '000
Post employment benefits obligation - defined contribution plan	41	40
Sundry creditors and accruals	2,411	1,713
Provision for reinstatement cost	264	250
Provision for bonus and staff related expenses	12,152	15,217
	<u>14,868</u>	<u>17,220</u>

**18. Interest income**

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Loans, advances and financing*	1,074,871	1,007,589	4,143,728	4,102,089
Money at call and deposit placements with financial institutions	38,837	29,861	147,955	165,758
Securities purchased under resale agreements	755	-	758	29
Financial investments at fair value through other comprehensive income	155,646	203,536	709,818	764,234
Financial investments at amortised cost	183,226	130,680	653,131	537,109
Others	4,121	4,546	17,357	17,354
	<u>1,457,456</u>	<u>1,376,212</u>	<u>5,672,747</u>	<u>5,586,573</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>4,769</u>	<u>9,127</u>	<u>26,008</u>	<u>27,537</u>

\*Note:

Included the net loss effects of RM27,472,000 (30 June 2021: RM7,177,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

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**18. Interest income (continued)**

	The Company		The Company	
	Current quarter ended 30/06/2022	Last year quarter ended 30/06/2021	Current year to date 30/06/2022	Last year to date 30/06/2021
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	161	98	562	679
Subordinated obligations	17,659	17,659	70,830	70,830
Multi-currency Additional Tier 1 capital securities	9,823	9,823	39,400	39,400
	<u>27,643</u>	<u>27,580</u>	<u>110,792</u>	<u>110,909</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2022	Last year quarter ended 30/06/2021	Current year to date 30/06/2022	Last year to date 30/06/2021
	RM '000	RM '000	RM '000	RM '000
Financial assets at fair value through profit or loss	<u>70,127</u>	<u>55,852</u>	<u>270,941</u>	<u>208,535</u>

**20. Interest expense**

	The Group		The Group	
	Current quarter ended 30/06/2022	Last year quarter ended 30/06/2021	Current year to date 30/06/2022	Last year to date 30/06/2021
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	29,768	15,817	84,152	77,027
Deposits from customers	426,669	388,277	1,616,096	1,758,328
Short-term placements	66,881	36,019	178,631	181,406
Borrowings	2,472	5,851	14,269	28,810
Subordinated obligations	23,502	23,472	94,439	89,674
Recourse obligations on loans sold to Cagamas Berhad	3,985	2,603	15,450	10,441
Multi-currency Additional Tier 1 capital securities	16,960	10,011	47,102	40,153
Others	7,663	11,928	37,045	50,291
	<u>577,900</u>	<u>493,978</u>	<u>2,087,184</u>	<u>2,236,130</u>

	The Company		The Company	
	Current quarter ended 30/06/2022	Last year quarter ended 30/06/2021	Current year to date 30/06/2022	Last year to date 30/06/2021
	RM '000	RM '000	RM '000	RM '000
Borrowings	2,486	5,870	14,331	28,885
Subordinated obligations	18,068	18,068	72,468	72,468
Multi-currency Additional Tier 1 capital securities	10,122	10,122	40,598	40,598
Others	69	77	282	324
	<u>30,745</u>	<u>34,137</u>	<u>127,679</u>	<u>142,275</u>

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**21. Income from Islamic banking business**

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Income derived from investment of depositors' funds and others*	379,231	354,220	1,409,048	1,410,567
Income derived from investment of shareholders' funds*	43,655	42,498	168,618	183,704
Income derived from investment of investment accounts	12,615	11,468	68,451	32,195
Income attributable to depositors	(181,940)	(169,355)	(702,907)	(689,707)
Income attributable to depositors on investment accounts	(14,258)	(6,844)	(38,425)	(17,357)
	<u>239,303</u>	<u>231,987</u>	<u>904,785</u>	<u>919,402</u>
Of which:				
Financing income earned on impaired financing and advances	(26)	523	3,417	5,247

**\*Note:**

Included the net loss effects of RM17,944,000 (30 June 2021: RM9,430,000) 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 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Net income from insurance business	118,806	89,537	368,913	337,379
Net brokerage and commissions from stockbroking business	10,499	23,776	65,883	134,531
Net unit trust and asset management income	11,974	15,741	58,104	57,269
Fee income:				
Commissions	42,514	42,631	181,402	180,851
Service charges and fees	8,792	9,802	37,999	41,299
Guarantee fees	3,516	3,726	15,913	16,321
Credit card related fees	50,317	40,998	193,684	173,899
Corporate advisory fees	4,995	1,942	9,970	7,661
Commitment fees	9,408	9,119	36,696	36,946
Fee on loans, advances and financing	10,972	11,385	50,101	45,594
Placement fees	4,825	372	8,853	13,726
Arranger fees	30	823	1,503	3,856
Other fee income	69,669	41,014	229,441	168,500
	<u>205,038</u>	<u>161,812</u>	<u>765,562</u>	<u>688,653</u>
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	(34,198)	536	(61,771)	44,762
Financial investments at fair value through other comprehensive income	(20,964)	1,031	81,523	238,490
Financial investments at amortised cost	-	-	-	29,385
Derivative financial instruments	51,669	(42,472)	56,192	(181,290)
	<u>(3,493)</u>	<u>(40,905)</u>	<u>75,944</u>	<u>131,347</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	16,128	24,439	73,196	72,289
Financial investments at fair value through other comprehensive income	406	290	406	665
	<u>16,534</u>	<u>24,729</u>	<u>73,602</u>	<u>72,954</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets at fair value through profit or loss	180,100	32,380	118,285	11,153
Derivative financial instruments	(70,361)	41,289	114,389	265,592
Investment property	-	(1,000)	-	(1,000)
	<u>109,739</u>	<u>72,669</u>	<u>232,674</u>	<u>275,745</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 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	(2,974)	(1,879)	(8,454)	(6,074)
Net unrealised loss on fair value changes arising from fair value hedges	(2,452)	(710)	(3,202)	(3,947)
Other income:				
Foreign exchange (loss)/gain	(9,811)	(17,120)	(158,222)	14,146
Rental income	4,440	1,451	10,975	7,662
Net gain on disposal of property and equipment	1,417	71	1,745	5,379
Other non-operating income	(3,339)	1,790	6,703	5,448
	(7,293)	(13,808)	(138,799)	32,635
<b>Total non-interest income</b>	<b>456,378</b>	<b>330,962</b>	<b>1,490,227</b>	<b>1,720,492</b>

	The Company		The Company	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Fee income:				
Management and outsourcing fees	2,073	5,273	8,802	9,324
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	-	1	(38)	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	-	-	193	1,120
Subsidiary companies	-	-	820,911	506,075
Other income:				
Gain from disposal of shares in subsidiary	-	-	-	88,122
Other non-operating income	332	55	406	541
<b>Total non-interest income</b>	<b>2,405</b>	<b>5,329</b>	<b>830,274</b>	<b>605,182</b>

**23. Overhead expenses**

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	308,197	310,487	1,234,170	1,244,643
- Medical expenses	6,825	8,195	30,909	33,056
- Training and convention expenses	7,363	6,670	14,824	12,817
- Staff welfare	3,218	2,932	13,341	11,998
- Others	(31)	10,759	10,180	93,805
	325,572	339,043	1,303,424	1,396,319
<u>Establishment costs</u>				
- Depreciation of property and equipment	32,061	33,436	130,105	134,584
- Depreciation of right-of-use assets	12,812	12,544	50,518	53,148
- Amortisation of intangible assets	15,410	14,777	59,027	61,290
- Rental of premises	2	155	1,854	2,834
- Information technology expenses	61,690	57,103	230,781	204,533
- Security services	3,165	6,286	19,354	22,845
- Electricity, water and sewerage	5,373	6,373	21,628	22,446
- Hire of plant and machinery	3,125	3,537	12,483	13,936
- Others	7,933	6,597	32,965	28,493
	141,571	140,808	558,715	544,109

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**23. Overhead expenses (continued)**

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	9,185	9,842	29,454	29,782
- Sales commission and credit card related fees	37,312	29,007	127,692	110,233
- Others	6,974	4,999	41,402	42,313
	<u>53,471</u>	<u>43,848</u>	<u>198,548</u>	<u>182,328</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,929	6,447	23,339	24,261
- Stationery and printing expenses	3,388	3,141	12,251	13,389
- Professional fees	29,510	23,251	92,911	84,402
- Insurance fees	9,636	6,294	33,550	25,649
- Stamp, postage and courier	4,657	4,485	15,229	15,928
- Credit card fees	17,522	12,704	49,302	37,525
- Travelling and transport expenses	940	711	2,806	3,114
- Registration and license fees	2,560	2,951	10,151	10,502
- Brokerage and commission	2,080	2,586	11,007	9,583
- Others	11,184	11,382	46,977	45,431
	<u>87,406</u>	<u>73,952</u>	<u>297,523</u>	<u>269,784</u>
	<u>608,020</u>	<u>597,651</u>	<u>2,358,210</u>	<u>2,392,540</u>
	The Company Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	The Company Current year to date 30/06/2022 RM '000	The Company Last year to date 30/06/2021 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	4,567	9,511	16,870	28,952
- Medical expenses	2	(2)	15	96
- Training and convention expenses	-	12	3	20
- Staff welfare	183	137	636	573
- Others	(18,267)	1,997	(17,411)	8,342
	<u>(13,515)</u>	<u>11,655</u>	<u>113</u>	<u>37,983</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	250	139	760	663
- Depreciation of right-of-use assets	235	235	940	940
- Amortisation of intangible assets	10	10	39	11
- Information technology expenses	222	26	312	124
- Electricity, water and sewerage	12	12	37	36
- Others	39	89	174	275
	<u>768</u>	<u>511</u>	<u>2,262</u>	<u>2,049</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	8	24	31
- Stationery and printing expenses	4	5	14	25
- Professional fees	584	240	1,506	1,215
- Management fees	640	685	2,448	2,283
- Travelling and transport expenses	-	-	1	1
- Others	27	10	349	387
	<u>1,262</u>	<u>948</u>	<u>4,342</u>	<u>3,942</u>
	<u>(11,485)</u>	<u>13,114</u>	<u>6,717</u>	<u>43,974</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	97,851	232,628	393,314	827,947
- Clients' and brokers' balances	39	91	(190)	(838)
Impaired loans, advances and financing:				
- Written off	5,816	3,794	20,054	16,227
- Recovered from bad debt written off	(73,495)	(42,358)	(250,061)	(193,381)
	<u>30,211</u>	<u>194,155</u>	<u>163,117</u>	<u>649,955</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(403)	344	(827)	261
- Financial investments at amortised cost	11	(31)	(14)	(130)
- Other receivables	55	(17)	47	352
- Cash and short-term funds	135	144	85	90
- Deposits and placements with banks and other financial institutions	(342)	(256)	(322)	79
	<u>(544)</u>	<u>184</u>	<u>(1,031)</u>	<u>652</u>

	The Company		The Company	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(1,058)	195	(1,253)	-

**26. Capital adequacy**

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

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

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

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	12.025%	11.866%	13.935%	14.030%	13.912%	13.911%	39.445%	50.575%
Tier 1 capital ratio	13.220%	12.801%	15.050%	14.561%	14.999%	14.245%	39.445%	50.575%
Total capital ratio	16.130%	15.697%	17.176%	16.703%	17.051%	16.301%	50.437%	61.409%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	11.792%	11.643%	13.428%	13.552%	13.266%	13.307%	35.367%	34.419%
Tier 1 capital ratio	12.987%	12.578%	14.543%	14.083%	14.353%	13.642%	35.367%	34.419%
Total capital ratio	15.897%	15.474%	16.669%	16.224%	16.404%	15.697%	46.359%	45.253%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000
<b>CET 1 capital</b>								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	20,937,790	19,213,037	22,727,982	20,751,376	15,120,482	14,139,555	287,881	389,376
Other reserves	651,730	1,108,509	592,754	1,217,660	(283,282)	366,088	(19,792)	1,514
Qualifying non-controlling interests	6,896,206	6,410,633	-	-	-	-	-	-
Less: Treasury shares	(236,039)	(238,970)	(713,690)	(719,030)	(713,690)	(719,030)	-	-
Less: Other intangible assets	(309,817)	(245,593)	(304,749)	(242,317)	(269,645)	(218,277)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,638)	(31,745)
Less: Deferred tax assets	-	-	(528,771)	(275,670)	(403,666)	(183,513)	(110,559)	(121,199)
Less: Investment in subsidiary companies/ associated companies	(9,640,457)	(8,491,639)	(6,455,474)	(5,501,542)	(2,794,291)	(2,725,221)	(200)	(200)
Total CET 1 capital	18,220,134	17,676,698	21,225,803	21,138,228	16,623,424	16,627,118	376,642	490,696

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**26. Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000	30/06/2022 RM '000	30/06/2021 RM '000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	799,932	799,813	1,698,839	799,785	1,698,839	799,785	-	-
Qualifying non-controlling interests	1,011,415	594,101	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,811,347	1,393,914	1,698,839	799,785	1,698,839	799,785	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,811,347	1,393,914	1,698,839	799,785	1,298,839	399,785	-	-
<b>Total Tier 1 capital</b>	<b>20,031,481</b>	<b>19,070,612</b>	<b>22,924,642</b>	<b>21,938,013</b>	<b>17,922,263</b>	<b>17,026,903</b>	<b>376,642</b>	<b>490,696</b>
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,718,509	1,695,147	1,738,471	1,726,493	1,350,820	1,356,795	4,952	5,115
Subordinated obligations	1,599,900	1,599,861	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,090,639	1,019,015	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
<b>Total Tier 2 capital</b>	<b>4,409,048</b>	<b>4,314,023</b>	<b>3,238,441</b>	<b>3,226,463</b>	<b>2,450,790</b>	<b>2,456,765</b>	<b>104,952</b>	<b>105,115</b>
<b>Total capital</b>	<b>24,440,529</b>	<b>23,384,635</b>	<b>26,163,083</b>	<b>25,164,476</b>	<b>20,373,053</b>	<b>19,483,668</b>	<b>481,594</b>	<b>595,811</b>

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**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	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk *	137,480,719	135,611,721	139,077,644	138,119,456	108,065,582	108,543,591	396,120	409,205
Market risk	4,254,505	4,167,709	3,917,894	3,778,671	3,934,497	3,895,661	217,123	248,108
Operational risk	9,789,061	9,194,803	9,327,630	8,761,958	7,485,705	7,087,877	341,603	312,925
Total RWA	<u>151,524,285</u>	<u>148,974,233</u>	<u>152,323,168</u>	<u>150,660,085</u>	<u>119,485,784</u>	<u>119,527,129</u>	<u>954,846</u>	<u>970,238</u>

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,899,820,000 (30 June 2021: RM847,370,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	30/06/2022	30/06/2021
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	11.176%	11.133%
Tier 1 capital ratio	12.550%	12.535%
Total capital ratio	<u>15.101%</u>	<u>15.112%</u>
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	11.176%	11.133%
Tier 1 capital ratio	12.550%	12.535%
Total capital ratio	<u>15.101%</u>	<u>15.112%</u>

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**27. Events after Balance Sheet date**

There are no material events subsequent to the end of the financial year ended 30 June 2022.

**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) HL Bank Nominees (Singapore) Pte. Ltd., a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB"), was dissolved on 2 November 2021.

(b) EB Nominees (Asing) Sendirian Berhad, a wholly-owned subsidiary of HLB, was dissolved on 19 April 2022.

**29. Related party transactions**

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

**30. Commitments and contingencies**

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

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

	<b>The Group</b>	
	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RM '000</b>	<b>RM '000</b>
Direct credit substitutes	138,103	172,600
Certain transaction related contingent items	2,024,547	1,676,061
Short-term self liquidating trade related contingencies	853,412	671,759
Obligations under underwriting agreement	7,140	-
Irrevocable commitments to extend credit:		
- Less than one year	23,913,907	23,767,882
- More than one year	17,538,803	20,459,242
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- More than one year	-	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	919,747	911,550
Foreign exchange related contracts:		
- Less than one year	58,120,986	65,568,146
- One year to less than five years	5,944,644	5,104,301
- Five years and above	396,495	361,486
Interest rate related contracts:		
- Less than one year	35,859,070	119,693,163
- One year to less than five years	55,088,368	34,095,456
- Five years and above	4,308,323	4,387,355
Equity related contracts:		
- Less than one year	245,878	247,217
- One year to less than five years	102,899	121,619
- Five years and above	270,542	255,112
Credit related contracts:		
- Five years and above	938,327	652,187
Commodity related contracts:		
- Less than one year	438,428	55,088
- One year to less than five years	493,416	39,881
Unutilised credit card lines	7,090,121	7,419,464
<b>Total</b>	<b>214,693,156</b>	<b>285,689,569</b>

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**31. Fair value of financial instruments**

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

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

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

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

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

Valuation techniques

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

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

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

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

The Group	Fair value			
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000
<b>30 June 2022</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	14,498,064	-	14,498,064
- Quoted securities	7,226,794	-	-	7,226,794
- Unquoted securities	-	7,363,108	382,663	7,745,771
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	16,024,171	-	16,024,171
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	8,455,174	83,386	8,538,560
Derivative financial instruments	9,909	1,787,458	104,802	1,902,169
	<u>10,126,915</u>	<u>48,127,975</u>	<u>570,851</u>	<u>58,825,741</u>

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

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

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

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<b>30 June 2022</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	104	1,661,392	103,510	1,765,006
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,065,393	-	2,065,393
	<u>104</u>	<u>3,726,785</u>	<u>103,510</u>	<u>3,830,399</u>
<b>30 June 2021</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
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>
<b><u>Financial liabilities</u></b>				
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>

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 2021: RM Nil).

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

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

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

	Financial assets			Financial liability
	Financial assets at fair value through profit or loss RM '000	Financial investments at fair value through other comprehensive income RM '000	Derivative financial instruments RM '000	Derivative financial instruments RM '000
<b>The Group</b>				
<b>30 June 2022</b>				
As at 1 July	374,729	69,094	76,913	76,913
Fair value changes recognised in statements of income	7,934	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
As at 30 June	<u>382,663</u>	<u>83,386</u>	<u>104,802</u>	<u>103,510</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	<u>7,934</u>	<u>-</u>	<u>28,076</u>	<u>28,076</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	<u>-</u>	<u>14,292</u>	<u>-</u>	<u>-</u>
<b>30 June 2021</b>				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	21,778	-	77,666	77,666
Net fair value changes recognised in other comprehensive income	-	9,000	-	-
Purchases	-	-	62,449	62,449
Disposal	(1,432)	-	-	-
Settlements	-	-	(76,694)	(76,694)
As at 30 June	<u>374,729</u>	<u>69,094</u>	<u>76,913</u>	<u>76,913</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	<u>21,778</u>	<u>-</u>	<u>77,666</u>	<u>77,666</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2021	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

**1. Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM1,334.2 million for the current quarter ended 30 June 2022 as compared to RM953.4 million in the previous corresponding quarter, an increase of RM380.8 million or 39.9%. The increase was due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM1,217.3 million for the current quarter ended 30 June 2022 as compared to RM824.6 million in the previous corresponding quarter, an increase of RM392.7 million or 47.6%. The increase was mainly due to higher revenue of RM166.1 million, lower allowance for impairment losses on loans, advances and financing of RM164.1 million, writeback of impairment losses on financial investment and other assets of RM0.6 million and higher share of profit from associated companies of RM89.5 million. This was offset by higher operating expenses of RM27.6 million.

HLA Holdings Group recorded a profit before tax of RM88.9 million for the current quarter ended 30 June 2022 as compared to RM119.9 million in the previous corresponding quarter, a decrease of RM31.0 million or 25.9%. The decrease was mainly due to lower revenue of RM55.7 million, higher operating expenses of RM5.9 million and lower share of profit from associated company of RM7.4 million. This was offset by higher life fund surplus of RM38.0 million

Hong Leong Capital Group recorded a profit before tax of RM12.4 million for the current quarter ended 30 June 2022 as compared to RM24.4 million in the previous corresponding quarter, a decrease of RM12.0 million or 49.2%. The decrease was mainly due to lower contribution from investment banking, stockbroking divisions and asset management divisions.

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

HLFG Group recorded a profit before tax of RM4,840.0 million for the financial year ended 30 June 2022 as compared to RM3,971.5 million in the previous corresponding year, an increase of RM868.5 million or 21.9%. The increase was mainly due to higher contribution from commercial banking divisions.

Hong Leong Bank Group recorded a profit before tax of RM4,366.8 million for the financial year ended 30 June 2022 as compared to RM3,470.9 million in the previous corresponding year, an increase of RM895.9 million or 25.8%. The increase was mainly due to higher revenue of RM130.6 million, lower allowance for impairment losses on loans, advances and financing of RM490.2 million, writeback of impairment losses on financial investment and other assets of RM1.1 million and higher share of profit from associated companies of RM294.5 million. This was offset by higher operating expenses of RM20.5 million.

HLA Holdings Group recorded a profit before tax of RM393.7 million for the financial year ended 30 June 2022 as compared to RM406.5 million in the previous corresponding year, a decrease of RM12.8 million or 3.1%. The decrease was mainly due to lower revenue of RM73.4 million, higher operating expenses of RM3.9 million and lower share of profit from associated company of RM1.6 million. This was offset by higher life fund surplus of RM66.2 million.

Hong Leong Capital Group recorded a profit before tax of RM97.2 million for the financial year ended 30 June 2022 as compared to RM177.4 million in the previous corresponding year, a decrease of RM80.2 million or 45.2%. This was mainly due to lower contribution from investment banking and stockbroking divisions.

**2. Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM1,334.2 million for the current quarter ended 30 June 2022 as compared to RM1,129.8 million in the preceding quarter, a increase of RM204.4 million or 18.1%. The increase was mainly due to higher contribution from commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,217.3 million for the current quarter ended 30 June 2022 as compared to RM1,030.8 million in the preceding quarter, a increase of RM186.5 million or 18.1%. The increase was mainly due to higher revenue of RM150.5 million, lower allowance for impairment losses on loans, advances and financing of RM21.1 million, writeback of impairment losses on financial investment and other assets of RM0.5 million and higher share of profit from associated companies of RM56.3 million. This was offset by higher operating expenses of RM41.9 million.

HLA Holdings Group recorded a profit before tax of RM88.9 million for the current quarter ended 30 June 2022 as compared to RM87.8 million in the preceding quarter, an increase of RM1.1 million or 1.2%. The increase was mainly due to higher life fund surplus of RM38.1 million, lower operating expenses of RM9.7 million and higher share of profit from associated company of RM2.2 million. This was offset by lower revenue of RM49.0 million.

Hong Leong Capital Group recorded a profit before tax of RM12.4 million for the current quarter ended 30 June 2022 as compared to RM26.5 million in the preceding quarter, a decrease of RM14.1 million or 53.2%. This was due to lower contribution from investment banking, stockbroking and asset management divisions.

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

Looking forward, we expect Malaysia’s economy to remain resilient supported by firm domestic demand, rebound in tourism-related sectors, improvement in the job market and double-digit growths in external trade surplus for the first six months of 2022. However, the post-pandemic recovery momentum is facing external headwinds from a slowing global economy, sharp interest rate hikes in advanced economies, the prolonged Russia-Ukraine war and strains in China’s economy are likely to weigh on the outlook of the global economy in the second half of 2022. The normalisation of interest rates by Bank Negara Malaysia may be mildly positive to our commercial banking business but the risk of softening of economic activities with consumer sentiment turning cautious may curtail private sector consumption and further dampen the outlook in investment climate. While many factors remain at play, the downside risks and uncertainties coupled with rising domestic inflation trend would likely put some pressure on our operating cost, that calls for more stringent cost discipline and vigilance to adapt to a volatile business environment in the new financial year.

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

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

**5. Taxation**

	The Group		The Group	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Income tax	376,284	331,232	1,139,477	921,966
Transfer (to)/from deferred tax	(22,439)	(67,690)	46,724	(116,727)
	<u>353,845</u>	<u>263,542</u>	<u>1,186,201</u>	<u>805,239</u>
Prior year over provision	(27,284)	(165,126)	(29,083)	(210,093)
	<u><u>326,561</u></u>	<u><u>98,416</u></u>	<u><u>1,157,118</u></u>	<u><u>595,146</u></u>

	The Company		The Company	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Income tax	226	(454)	418	-
Transfer from/(to) deferred tax	(44)	(73)	(45)	(101)
	<u>182</u>	<u>(527)</u>	<u>373</u>	<u>(101)</u>
Prior year over provision	(122)	-	(122)	-
	<u><u>60</u></u>	<u><u>(527)</u></u>	<u><u>251</u></u>	<u><u>(101)</u></u>

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.

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**7. Borrowings**

	The Group		The Company	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
<b>Unsecured</b>				
RM Term loans	-	1,000	-	1,000
RM Revolving credit	100,075	125,094	100,075	125,094
RM Commercial papers	109,920	155,846	109,920	155,846
RM Senior notes	201,936	380,086	201,863	405,421
	<u>411,931</u>	<u>662,026</u>	<u>411,858</u>	<u>687,361</u>
Repayment of term loans				
- Less than one year	-	1,000	-	1,000
Repayment of revolving credit				
- Less than one year	100,075	125,094	100,075	125,094
Repayment of commercial papers				
- Less than one year	109,920	155,846	109,920	155,846
Repayment of senior notes				
- Less than one year	-	380,086	-	405,421
- One to three years	201,936	-	201,863	-
	<u>411,931</u>	<u>662,026</u>	<u>411,858</u>	<u>687,361</u>

**8. Subordinated obligations**

	Note	The Group		The Company	
		As at 30/06/2022 RM '000	As at 30/06/2021 RM '000	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,710	4,710	-	-
		<u>604,710</u>	<u>604,710</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		2,473	2,608	2,473	2,608
		<u>1,602,473</u>	<u>1,602,608</u>	<u>1,602,473</u>	<u>1,602,608</u>
Less: Unamortised discounts		(100)	(139)	(849)	(1,366)
		<u>1,602,373</u>	<u>1,602,469</u>	<u>1,601,624</u>	<u>1,601,242</u>
		<u>2,207,083</u>	<u>2,207,179</u>	<u>1,601,624</u>	<u>1,601,242</u>

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

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

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

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

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

The Sub-Notes constitute unsecured liabilities of the Company.

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

	The Group		The Company	
	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000	As at 30/06/2022 RM '000	As at 30/06/2021 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	1,700,000	800,000	800,000	800,000
Add: Interest payable	13,712	6,742	6,799	6,742
	<u>1,713,712</u>	<u>806,742</u>	<u>806,799</u>	<u>806,742</u>
Less: Unamortised discounts	(1,145)	(187)	(368)	(767)
Add: Fair value changes arising from fair value hedge	3,282	-	-	-
	<u>1,715,849</u>	<u>806,555</u>	<u>806,431</u>	<u>805,975</u>

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

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.

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities") out of its multi-currency perpetual notes programme. The Green Capital Securities carry a distribution rate of 4.45% per annum are perpetual and non-callable for 5 year with an Issuer's call option to redeem at the end of year 5.

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

Details of financial instruments with off-balance sheet risk as at 30 June 2022

**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	46,033,010	703,399	(213,346)
(ii) 1 year to 3 years	609,044	5,503	(136)
(iii) More than 3 years	930,442	9,586	(237)
- Swaps			
(i) Less than 1 year	6,881,982	102,256	(88,574)
(ii) 1 year to 3 years	2,986,090	99,294	(115,596)
(iii) More than 3 years	1,408,216	29,513	(57,286)
- Options			
(i) Less than 1 year	5,205,994	48,789	(48,156)
(ii) 1 year to 3 years	407,347	4,178	(2,447)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,044,262	10,146	(32,739)
- Swaps			
(i) Less than 1 year	33,814,808	40,571	(67,099)
(ii) 1 year to 3 years	30,729,412	164,897	(250,407)
(iii) More than 3 years	28,667,279	535,681	(741,971)
Equity related contracts			
(i) Less than 1 year	245,878	2,212	(2,212)
(ii) 1 year to 3 years	3,645	99	(99)
(iii) More than 3 years	369,796	102,541	(101,199)
Credit related contracts			
(i) More than 3 years	938,327	39,156	(39,156)
Commodity related contracts			
(i) Less than 1 year	438,428	1,757	(1,755)
(ii) 1 year to 3 years	493,416	2,591	(2,591)
<b>Total</b>	<b>162,207,376</b>	<b>1,902,169</b>	<b>(1,765,006)</b>

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

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

**The Group**

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

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM480,304,000 (30 June 2021: RM327,979,000) and RM92,034,265,000 (30 June 2021: RM154,955,054,000) respectively.

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

**Market risk (continued)**

Derivatives

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

**Credit risk**

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM2,203,729,000 (30 June 2021: RM1,122,776,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

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

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

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

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

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

**Liquidity risk**

Derivatives

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

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

**Related accounting policies**

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

Fair value hedge

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

Cash flow hedge

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

**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 31.0 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 31.0 sen per share
- (ii) Previous corresponding period: 29.2 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 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Net profit attributable to equity holders	674,683	573,366	2,452,209	2,265,254
Weighted average number of ordinary shares ('000)	1,133,945	1,133,789	1,133,882	1,133,791
<b>Basic earnings per share (sen)</b>	<b>59.5</b>	<b>50.6</b>	<b>216.3</b>	<b>199.8</b>
	The Company		The Company	
	Current quarter ended 30/06/2022 RM '000	Last year quarter ended 30/06/2021 RM '000	Current year to date 30/06/2022 RM '000	Last year to date 30/06/2021 RM '000
Net profit attributable to equity holders equity holders	11,786	(14,010)	807,672	529,943
Weighted average number of ordinary shares ('000)	1,138,037	1,137,881	1,137,974	1,137,881
<b>Basic earnings per share (sen)</b>	<b>1.0</b>	<b>(1.2)</b>	<b>71.0</b>	<b>46.6</b>

(b) Diluted earnings per share

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

Dated this 30 August 2022