

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

	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short-term funds	9,219,848	11,299,078
Deposits and placements with banks and other financial institutions	8,645,670	9,078,939
Securities purchased under resale agreements	-	50,172
Financial assets at fair value through profit or loss	25,893,155	23,721,031
Financial investments at fair value through other comprehensive income	35,805,443	28,549,073
Financial investments at amortised cost	21,830,909	20,969,566
Derivative financial instruments	1,270,346	1,176,645
Loans, advances and financing	151,871,330	145,520,789
Clients' and brokers' balances	662,751	575,973
Other receivables	2,732,608	1,811,640
Statutory deposits with Central Banks	438,056	418,120
Tax recoverable	55,927	12,792
Investment in associated companies	6,390,939	5,625,998
Property and equipment	1,387,865	1,461,528
Right-of-use assets	219,655	243,990
Investment properties	472,610	472,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	223,950	204,598
Total Assets	269,531,706	253,603,186
<u>Liabilities</u>		
Deposits from customers	179,447,802	171,237,064
Investment accounts of customers	1,042,995	356,475
Deposits and placements of banks and other financial institutions	10,561,722	8,574,291
Obligations on securities sold under repurchase agreements	4,320,421	3,124,132
Bills and acceptances payable	200,844	134,053
Derivative financial instruments	1,229,203	1,401,916
Clients' and brokers' balances	476,435	305,385
Payables and other liabilities	16,202,172	15,197,187
Lease liabilities	212,330	231,268
Recourse obligations on loans/financing sold to Cagamas Berhad	1,035,146	1,049,005
Provision for claims	173,117	223,029
Provision for taxation	727,153	213,569
Deferred tax liabilities	7,033	174,012
Borrowings	658,003	1,152,827
Subordinated obligations	2,214,728	1,906,982
Multi-currency Additional Tier 1 capital securities	806,935	806,499
Insurance funds	17,356,032	16,462,741
Total Liabilities	236,672,071	222,550,435
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	1,566,071	1,711,245
Retained profits	18,498,056	16,910,345
Fair value reserve	12,527	248,248
Treasury shares for ESOS	(238,970)	(238,834)
Total Shareholders' Equity	22,104,692	20,898,012
Non-controlling interests	10,754,943	10,154,739
Total Equity	32,859,635	31,052,751
Total Liabilities and Equity	269,531,706	253,603,186
Commitments and Contingencies		
	233,313,446	154,878,884
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	19.50	18.43

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
THE GROUP				
Interest income	1,377,035	1,569,867	4,210,361	4,843,035
Interest income for financial assets at fair value through profit or loss	50,272	86,872	152,683	255,510
Interest expense	(519,012)	(916,393)	(1,742,152)	(2,815,498)
Net interest income	908,295	740,346	2,620,892	2,283,047
Income from Islamic banking business	234,607	206,284	687,415	612,469
Non-interest income	436,758	195,869	1,389,530	933,150
Net income	1,579,660	1,142,499	4,697,837	3,828,666
Overhead expenses	(598,089)	(599,441)	(1,794,889)	(1,783,081)
Operating profit before allowances	981,571	543,058	2,902,948	2,045,585
Allowance for impairment losses on loans, advances and financing and other losses	(114,111)	(129,220)	(455,800)	(139,974)
(Allowance for)/writeback of impairment losses on other assets	(155)	1,957	(468)	297
	867,305	415,795	2,446,680	1,905,908
Share of results of associated companies	195,784	187,561	571,389	535,329
Profit before taxation	1,063,089	603,356	3,018,069	2,441,237
Taxation	(191,761)	(90,549)	(496,730)	(427,767)
Net profit for the financial period	<u>871,328</u>	<u>512,807</u>	<u>2,521,339</u>	<u>2,013,470</u>
Attributable to:				
Owners of the parent	577,273	339,200	1,691,888	1,332,361
Non-controlling interests	294,055	173,607	829,451	681,109
Net profit for the financial period	<u>871,328</u>	<u>512,807</u>	<u>2,521,339</u>	<u>2,013,470</u>
Earnings per share - basic (sen)	<u>50.9</u>	<u>29.9</u>	<u>149.2</u>	<u>117.3</u>

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
THE GROUP				
Net profit for the financial period	871,328	512,807	2,521,339	2,013,470
Other comprehensive (loss)/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	(168)	-	(168)	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive income/(loss) of associated companies	11,307	(5,071)	(12,768)	(8,734)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(544,233)	(116,292)	(452,619)	(119,689)
- Changes in expected credit losses	(8)	(641)	(123)	(173)
Net fair value changes in cash flow hedge	3,349	(6,172)	4,706	(6,421)
Currency translation differences	212,326	207,200	179,325	79,765
Income tax relating to components of other comprehensive income	123,967	22,502	105,657	24,719
Other comprehensive (loss)/income for the financial period, net of tax	(193,460)	101,526	(175,990)	(30,533)
Total comprehensive income for the financial period, net of tax	677,868	614,333	2,345,349	1,982,937
Attributable to:				
Owners of the parent	452,001	405,668	1,574,564	1,311,375
Non-controlling interests	225,867	208,665	770,785	671,562
	677,868	614,333	2,345,349	1,982,937

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

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

	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	12,143	15,810
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	-	292,671
Other receivables	1,405	45,836
Tax recoverable	10,382	10,748
Deferred tax assets	111	83
Investment in subsidiary companies	19,476,315	19,497,956
Property and equipment	3,329	3,578
Right-of-use assets	5,250	5,955
Intangible assets	117	2
Total Assets	19,512,412	19,875,999
<u>Liabilities</u>		
Payables and other liabilities	10,101	8,569
Lease liabilities	5,305	5,905
Borrowings	683,047	1,208,506
Subordinated obligations	1,618,848	1,600,594
Multi-currency Additional Tier 1 capital securities	806,285	805,639
Total Liabilities	3,123,586	3,629,213
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	277,390	271,942
Retained profits	14,025,015	13,888,423
Treasury shares for ESOS	(180,587)	(180,587)
Total Equity	16,388,826	16,246,786
Total Liabilities and Equity	19,512,412	19,875,999

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
THE COMPANY				
Interest income	27,293	27,608	83,329	83,735
Interest expense	(33,994)	(38,978)	(108,138)	(123,223)
Net interest expense	(6,701)	(11,370)	(24,809)	(39,488)
Non-interest income	200,267	217,481	599,853	783,202
Net income	193,566	206,111	575,044	743,714
Overhead expenses	(16,522)	(5,298)	(30,860)	(25,201)
Writeback of impairment losses on other assets	196	161	195	295
Profit before taxation	177,240	200,974	544,379	718,808
Taxation	(133)	2,059	(426)	(463)
Net profit for the financial period	177,107	203,033	543,953	718,345
Earnings per share - basic (sen)	15.6	17.8	47.8	63.1

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
THE COMPANY				
Net profit for the financial period	177,107	203,033	543,953	718,345
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	177,107	203,033	543,953	718,345

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

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

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
As at 1 July 2020	2,267,008	860,504	248,248	(5,570)	213,314	74,895	568,102	16,910,345	(238,834)	20,898,012	10,154,739	31,052,751
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,691,888	-	1,691,888	829,451	2,521,339
Currency translation differences	-	-	-	-	-	-	116,044	-	-	116,044	63,281	179,325
Share of other comprehensive loss of associated companies	-	-	(8,114)	-	-	-	-	-	-	(8,114)	(4,654)	(12,768)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	(110)	-	-	-	-	-	-	(110)	(58)	(168)
- Net gain on disposal	-	-	(10)	-	-	-	-	10	-	-	-	-
- Debt instruments												
- Net fair value changes	-	-	(227,412)	-	-	-	-	-	-	(227,412)	(118,420)	(345,832)
- Changes in expected credit losses	-	-	(75)	-	-	-	-	-	-	(75)	(48)	(123)
Net fair value changes in cash flow hedge	-	-	-	2,343	-	-	-	-	-	2,343	1,233	3,576
Total comprehensive (loss)/income	-	-	(235,721)	2,343	-	-	116,044	1,691,898	-	1,574,564	770,785	2,345,349
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(280,893)	-	-	-	-	-	280,893	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(13,590)	-	(13,590)	13,590	-
Dividends paid	-	-	-	-	-	-	-	(407,361)	-	(407,361)	-	(407,361)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(261,482)	(261,482)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	(21,239)	(21,239)
Disposal of shares in subsidiary	-	-	-	-	-	-	-	29,342	-	29,342	98,550	127,892
Options charge arising from executive share scheme	-	-	-	-	-	22,450	-	-	-	22,450	-	22,450
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	(5,118)	-	6,529	-	1,411	-	1,411
As at 31 March 2021	2,267,008	579,611	12,527	(3,227)	213,314	92,227	684,146	18,498,056	(238,970)	22,104,692	10,754,943	32,859,635

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

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

THE GROUP	Share capital	Regulatory reserves#	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
As at 1 July 2019	2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	1,332,361	-	1,332,361	681,109	2,013,470
Currency translation differences	-	-	-	-	-	-	54,073	-	-	54,073	25,692	79,765
Share of other comprehensive loss of associated companies	-	-	(7,140)	-	-	-	-	-	-	(7,140)	(1,594)	(8,734)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(64,629)	-	-	-	-	-	-	(64,629)	(31,918)	(96,547)
- Changes in expected credit losses	-	-	(113)	-	-	-	-	-	-	(113)	(60)	(173)
Net fair value changes in cash flow hedge	-	-	-	(3,177)	-	-	-	-	-	(3,177)	(1,667)	(4,844)
Total comprehensive (loss)/income	-	-	(71,882)	(3,177)	-	-	54,073	1,332,361	-	1,311,375	671,562	1,982,937
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	112,396	-	-	-	-	-	(112,396)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(3,785)	-	(3,785)	3,785	-
Dividends paid	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(377,174)	(377,174)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,474	4,474
Options charge arising from executive share scheme	-	-	-	-	-	(2,113)	-	-	-	(2,113)	-	(2,113)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(76,925)	(76,925)	-	(76,925)
Exercise of executive share scheme	-	-	-	-	-	(6,464)	-	5,533	-	(931)	-	(931)
As at 31 March 2020	2,267,008	982,319	44,621	(4,967)	213,314	77,552	565,032	16,270,242	(238,834)	20,176,287	9,807,094	29,983,381

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM568,366,000 (31 March 2020: RM971,074,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2020: RM11,245,000).

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

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

	Share capital RM '000	Other capital reserve RM '000	Share options reserve RM '000	Treasury shares for ESOS RM '000	Retained profits RM '000	Total equity RM '000
<u>THE COMPANY</u>						
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net profit for the financial period	-	-	-	-	543,953	543,953
Dividends paid	-	-	-	-	(407,361)	(407,361)
Options charge arising from executive share scheme	-	-	5,448	-	-	5,448
As at 31 March 2021	2,267,008	254,991	22,399	(180,587)	14,025,015	16,388,826
As at 1 July 2019	2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265
Net profit for the financial period	-	-	-	-	718,345	718,345
Dividends paid	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme	-	-	7,339	-	-	7,339
Purchase of treasury shares	-	-	-	(28,443)	-	(28,443)
As at 31 March 2020	2,267,008	254,991	24,015	(180,587)	13,884,155	16,249,582

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

CONDENSED FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	The Group		The Company	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	3,018,069	2,441,237	544,379	718,808
Adjustment for non-cash items	(252,501)	(1,005,368)	(564,179)	(725,796)
Operating profit/(loss) before working capital changes	2,765,568	1,435,869	(19,800)	(6,988)
Income tax paid	(128,702)	(411,291)	(88)	(3,258)
Interest received	581	685	581	685
Changes in working capital				
Net changes in operating assets	(11,987,400)	4,891,134	337,100	1,500
Net changes in operating liabilities	13,193,267	6,506,042	1,505	(22,889)
Net cash generated from/(used in) operating activities	3,843,314	12,422,439	319,298	(30,950)

Cash flows from investing activities

Net purchases of financial investments at fair value through other comprehensive income	(7,365,034)	(4,830,558)	-	-
Net purchases of financial investments at amortised cost	(831,958)	(2,410,984)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	967,127	845,295	-	-
Purchase of intangible assets	(13,910)	(45,458)	(116)	-
Purchase of property and equipment	(95,157)	(129,496)	(366)	(132)
Net proceeds from disposal of property and equipment	9,554	6,283	248	-
Dividends received from other investments	48,225	43,738	1,120	142
Dividends received from subsidiary companies	-	-	506,075	773,246
Dividends received from associated companies	11,993	-	-	-
Proceeds from disposal of shares in subsidiary	127,892	-	127,892	-
Proceeds from liquidation	-	-	-	83
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	29,229	29,272
- Interest on subordinated obligations	-	-	35,584	35,834
Net cash (used in)/generated from investing activities	(7,141,268)	(6,521,180)	699,666	838,445

Cash flows from financing activities

Dividends paid to equity holders of the Company	(407,361)	(147,924)	(407,361)	(147,925)
Dividends paid to non-controlling interests	(261,482)	(377,174)	-	-
Purchase of treasury shares	(136)	(76,925)	-	(28,443)
Cash received from executive share scheme exercised	3,833	3,292	-	-
Repayment of lease liabilities	(26,531)	(25,530)	(601)	(570)
Repayment of revolving credit	(80,000)	(167,000)	(80,000)	(167,000)
Repayment of commercial papers	(184,000)	(65,000)	(184,000)	(65,000)
Repayment of medium term notes	(220,000)	-	(250,000)	-
Repayment of innovative Tier 1 capital securities	-	(453,200)	-	-
Repayment of term loans	(4,000)	(145,000)	(4,000)	(145,000)
Repayment of subordinated obligations	-	(550,000)	-	-
Proceeds from subordinated obligations	290,000	-	-	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	-	799,950	-	-
Proceeds from Multi-currency Additional Tier 1 capital securities	-	300,000	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(29,830)	(29,875)	(29,830)	(29,875)
Interest paid on subordinated obligations	(48,456)	(65,505)	(36,146)	(36,400)
Interest paid on borrowings	(29,783)	(43,568)	(30,473)	(44,740)
Interest paid on innovative Tier 1 capital securities	-	(19,486)	-	-
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(41,368)	(20,865)	-	-
Interest paid on lease liabilities	(7,358)	(8,187)	(220)	(251)
Net cash used in financing activities	(1,046,472)	(1,091,997)	(1,022,631)	(665,204)

Net (decrease)/increase in cash and cash equivalents

	(4,344,426)	4,809,262	(3,667)	142,291
Effects of exchange rate changes	(32,393)	86,229	-	-
Cash and cash equivalents at 1 July	12,338,216	6,760,957	15,870	84,556
Cash and cash equivalents at 31 March	7,961,397	11,656,448	12,203	226,847

Analysis of cash and cash equivalents

Cash and short-term funds	9,219,848	10,053,007	12,143	226,787
Deposits and placements with banks and other financial institutions	8,645,670	9,143,220	3,360	3,360
	17,865,518	19,196,227	15,503	230,147
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(9,904,121)	(7,539,779)	(3,300)	(3,300)
	7,961,397	11,656,448	12,203	226,847

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

1. Basis of preparation

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

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

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

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

- (i)
 - Amendments to MFRS 3 'Definition of a Business'
 - Amendments to MFRS 101 and MFRS 108 'Definition of Material'
 - Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'
 - Revised Conceptual Framework for Financial Reporting

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 2020

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

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6. Issuance and repayment of debt and equity securities

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

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

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

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

During the financial period ended 31 March 2021, no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 31 March 2021, the total number of Treasury Shares for ESOS is 9,636,000 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM180,587,544.

The insurance subsidiary company purchased 10,000 units of shares for RM135,605 pursuant to the Company's ESS during the financial period ended 31 March 2021.

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

7. Dividends paid

A final single-tier dividend of 25.0 sen per share in respect of financial year ended 30 June 2020 amounting to RM284.5 million was paid on 25 November 2020.

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

8. Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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8. Segmental reporting (continued)

The Group 31 March 2021	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	4,124,046	258,702	357,195	(42,106)	-	4,697,837
Inter-segment revenue	10,536	(2)	800	609,177	(620,511)	-
Segment revenue	<u>4,134,582</u>	<u>258,700</u>	<u>357,995</u>	<u>567,071</u>	<u>(620,511)</u>	<u>4,697,837</u>
Results						
Segment results	2,129,636	153,000	231,903	544,373	(612,232)	2,446,680
Share of results of associated companies						571,389
Profit before taxation						<u>3,018,069</u>
Taxation						<u>(496,730)</u>
Net profit for the financial period						<u>2,521,339</u>
Non-controlling interests						<u>(829,451)</u>
Profit attributable to owners of the parent						<u>1,691,888</u>
Other information						
Segment assets	233,629,016	4,385,229	26,173,978	19,512,458	(14,168,975)	<u>269,531,706</u>
Segment liabilities	205,080,942	3,507,046	22,568,204	3,125,228	2,390,651	<u>236,672,071</u>

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8. Segmental reporting (continued)

The Group 31 March 2020	Commercial banking RM '000	Investment banking RM '000	Insurance RM '000	Other operations RM '000	Eliminations/ consolidation adjustments RM '000	Consolidated RM '000
Revenue						
External revenue	3,570,397	159,080	125,458	(26,269)	-	3,828,666
Inter-segment revenue	11,305	(454)	1,189	761,491	(773,531)	-
Segment revenue	<u>3,581,702</u>	<u>158,626</u>	<u>126,647</u>	<u>735,222</u>	<u>(773,531)</u>	<u>3,828,666</u>
Results						
Segment results	1,862,836	58,065	25,840	718,718	(759,551)	1,905,908
Share of results of associated companies						535,329
Profit before taxation						<u>2,441,237</u>
Taxation						<u>(427,767)</u>
Net profit for the financial period						<u>2,013,470</u>
Non-controlling interests						<u>(681,109)</u>
Profit attributable to owners of the parent						<u><u>1,332,361</u></u>
Other information						
Segment assets	216,715,109	4,733,374	22,815,838	19,761,055	(17,118,411)	<u>246,906,965</u>
Segment liabilities	190,342,068	3,938,577	19,654,414	3,513,056	(524,531)	<u>216,923,584</u>

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9. Financial assets at fair value through profit or loss

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Government treasury bills	425,434	579,866
Malaysian Government securities	3,091,453	2,122,321
Malaysian Government investment certificates	1,062,774	1,376,527
Negotiable instruments of deposit	1,498,634	1,567,157
Khazanah bonds	-	19,999
Cagamas bonds	35,176	166,697
Other Government securities	5,208,135	5,596,569
	<u>11,321,606</u>	<u>11,429,136</u>
Quoted securities:		
Shares in Malaysia	4,682,688	2,718,986
Shares outside Malaysia	760,610	510,842
Wholesale fund/unit trust investments	640,893	1,029,029
Foreign currency bonds in Malaysia	254,749	159,401
Foreign currency bonds outside Malaysia	70,674	145,069
Investment-linked funds	307	311
Loan stocks	1,293	1,336
Warrants quoted in Malaysia	1,986	-
	<u>6,413,200</u>	<u>4,564,974</u>
Unquoted securities:		
Shares in Malaysia	352,951	354,383
Foreign currency bonds outside Malaysia	340,379	343,648
Corporate bonds and sukuk	7,440,019	7,003,890
Redeemable preference shares	25,000	25,000
	<u>8,158,349</u>	<u>7,726,921</u>
Total financial assets at fair value through profit or loss	<u>25,893,155</u>	<u>23,721,031</u>

	The Company	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Quoted securities:		
Unit trust investments	-	292,671

10. Financial investments at fair value through other comprehensive income

	Note	The Group	
		As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
At fair value			
Debt instruments	(a)	35,745,746	28,488,979
Equity instruments	(b)	59,697	60,094
		<u>35,805,443</u>	<u>28,549,073</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	1,043,607	487,768
Malaysian Government securities	3,993,195	2,148,086
Malaysian Government investment certificates	12,409,704	8,339,999
Negotiable instruments of deposit	1,902,540	950,404
Other Government securities	178,723	312,507
Khazanah bonds	482,280	529,373
Cagamas bonds	1,694,866	1,717,798
	<u>21,704,915</u>	<u>14,485,935</u>

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

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Foreign currency bonds in Malaysia	1,975,681	2,131,473
Foreign currency bonds outside Malaysia	1,307,537	1,353,402
	<u>3,283,218</u>	<u>3,484,875</u>
Unquoted securities:		
Malaysian Government sukuk	944,570	554,124
Corporate bonds and sukuk	9,219,165	9,160,750
Foreign currency bonds in Malaysia	270,875	306,295
Foreign currency bonds outside Malaysia	323,003	497,000
	<u>10,757,613</u>	<u>10,518,169</u>
	<u>35,745,746</u>	<u>28,488,979</u>
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	59,697	60,094

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
31 March 2021				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	132	-	-	132
Financial assets derecognised	(871)	-	-	(871)
Changes due to change in credit risk	676	-	-	676
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(51)	-	(391)	(442)
As at 31 March	<u>2,405</u>	<u>-</u>	<u>16,606</u>	<u>19,011</u>
30 June 2020				
As at 1 July	1,872	-	16,550	18,422
New financial assets originated or purchased	2,082	-	-	2,082
Financial assets derecognised	(1,177)	-	-	(1,177)
Changes due to change in credit risk	(215)	-	-	(215)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(3)	-	447	444
As at 30 June	<u>2,539</u>	<u>-</u>	<u>16,997</u>	<u>19,536</u>

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11. Financial investments at amortised cost

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Money market instruments:		
Malaysian Government securities	3,914,618	3,056,052
Malaysian Government investment certificates	12,171,584	11,405,182
Khazanah bonds	19,039	316,038
Other Government securities	455,427	456,623
	<u>16,560,668</u>	<u>15,233,895</u>
Quoted securities:		
Foreign currency bonds in Malaysia	809,736	857,780
Foreign currency bonds outside Malaysia	64,737	145,577
	<u>874,473</u>	<u>1,003,357</u>
Unquoted securities:		
Malaysian Government sukuk	2,556,789	2,659,375
Corporate bonds and sukuk	1,822,419	2,056,192
Foreign currency bonds outside Malaysia	16,669	16,964
	<u>4,395,877</u>	<u>4,732,531</u>
Less: Expected credit losses	(109)	(217)
Total financial investments at amortised cost	<u>21,830,909</u>	<u>20,969,566</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
31 March 2021				
As at 1 July	217	-	-	217
Changes due to change in credit risk	(99)	-	-	(99)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	(8)	-	-	(8)
As at 31 March	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>
30 June 2020				
As at 1 July	216	-	827	1,043
Financial assets derecognised	(22)	-	-	(22)
Changes due to change in credit risk	20	-	-	20
Amount written off	-	-	(827)	(827)
Exchange differences	3	-	-	3
As at 30 June	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
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12. Loans, advances and financing

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Overdrafts	3,152,052	3,590,801
Term loans/financing:		
- Housing and shop loans/financing	85,520,404	82,482,204
- Syndicated/term loans or financing	16,275,914	13,850,875
- Hire purchase receivables	17,252,151	17,006,512
- Ijarah receivables	158,721	161,188
- Other term loans/financing	11,527,572	8,962,217
Credit/charge card receivables	2,927,536	3,094,683
Bills receivable	951,484	2,680,254
Trust receipts	321,742	1,476,882
Policy and premium loans	394,931	509,817
Claims on customers under acceptance credits	6,879,113	5,235,605
Revolving credits	8,009,447	7,202,385
Staff loans/financing	139,999	143,111
Other loans/financing	264	365,302
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>
Fair value changes arising from fair value hedges	16,953	21,714
Allowance for impairment losses:		
- Expected credit losses	(1,656,953)	(1,262,761)
Total net loans, advances and financing	<u>151,871,330</u>	<u>145,520,789</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,015,465,000 (30 June 2020: RM1,023,078,000).

(a) By type of customers

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Domestic non-bank financial institutions	1,553,823	1,434,866
Domestic business enterprises:		
- Small and medium enterprises	25,238,629	22,700,453
- Others	21,294,235	20,773,294
Government and statutory bodies	1,732	1,892
Individuals	101,911,959	98,751,873
Other domestic entities	615,662	975,756
Foreign entities	2,895,290	2,123,702
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Fixed rate		
- Housing and shop loans/financing	1,530,944	1,577,809
- Hire purchase receivables	17,110,002	16,847,128
- Other fixed rate loans/financing	8,992,898	7,051,115
Variable rate		
- Base rate/base lending rate plus	106,523,811	102,135,209
- Cost plus	19,293,814	19,098,247
- Other variable rates	59,861	52,328
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>

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12. Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Purchase of securities	1,239,241	1,046,022
Purchase of transport vehicles	16,931,790	16,769,222
Purchase of landed properties		
- Residential	76,470,676	73,336,190
- Non-residential	18,380,660	17,244,621
Purchase of fixed assets (excluding landed properties)	1,384,452	1,102,078
Personal use	3,442,800	3,437,021
Credit card	2,927,536	3,094,683
Construction	2,822,041	2,612,109
Mergers and acquisition	-	151,784
Working capital	28,078,690	25,983,290
Other purposes	1,833,444	1,984,816
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>

(d) By geographical distribution

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Malaysia	145,131,734	138,992,892
Singapore	5,655,494	5,250,416
Hong Kong	268	-
Vietnam	1,029,393	909,213
Cambodia	1,694,441	1,609,315
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>

(e) By residual contractual maturity

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Within one year	26,317,705	27,045,478
One year to less than three years	5,375,636	5,735,396
Three years to less than five years	12,152,325	10,647,842
Five years and more	109,665,664	103,333,120
Gross loans, advances and financing	<u>153,511,330</u>	<u>146,761,836</u>

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

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
As at 1 July	896,276	1,078,009
Classified as impaired during the financial period/year	805,614	1,969,496
Reclassified as non-impaired during the financial period/year	(483,090)	(1,158,523)
Amount written back in respect of recoveries	(208,374)	(492,076)
Amount written off	(202,150)	(502,046)
Exchange differences	(205)	1,416
As at end of the financial period/year	<u>808,071</u>	<u>896,276</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.6%</u>

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12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Purchase of securities	297	650
Purchase of transport vehicles	89,304	71,145
Purchase of landed properties		
- Residential	276,594	341,330
- Non-residential	127,119	150,277
Purchase of fixed assets (excluding landed properties)	835	4,648
Personal use	52,389	24,479
Credit card	31,717	24,568
Construction	8,121	9,663
Working capital	144,571	200,678
Other purposes	77,124	68,838
Gross impaired loans, advances and financing	<u>808,071</u>	<u>896,276</u>

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

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Malaysia	799,283	887,929
Singapore	3,983	1,256
Vietnam	1,505	1,808
Cambodia	3,300	5,283
Gross impaired loans, advances and financing	<u>808,071</u>	<u>896,276</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group 31 March 2021				
As at 1 July	550,165	435,828	276,768	1,262,761
Changes in ECL due to transfer within stages	(46,459)	(92,053)	138,512	-
Transfer to Stage 1	15,711	(15,462)	(249)	-
Transfer to Stage 2	(62,061)	104,371	(42,310)	-
Transfer to Stage 3	(109)	(180,962)	181,071	-
New financial assets originated	47,455	534	355	48,344
Financial assets derecognised	(18,910)	(35,327)	(9,347)	(63,584)
Changes due to change in credit risk	413,395	134,876	96,448	644,719
Changes in models/risk parameters	(16)	(30,643)	(2)	(30,661)
Amount written off	-	-	(204,870)	(204,870)
Exchange differences	(141)	(347)	(63)	(551)
Other movements	-	-	795	795
As at 31 March	<u>945,489</u>	<u>412,868</u>	<u>298,596</u>	<u>1,656,953</u>

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14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
At amortised cost		
Fixed deposits	88,500,322	93,166,106
Negotiable instruments of deposits	8,651,067	8,949,638
Short-term placements	24,158,972	19,559,750
	<u>121,310,361</u>	<u>121,675,494</u>
Demand deposits	32,991,926	27,331,640
Savings deposits	23,268,408	21,018,664
Others	629,620	748,749
	<u>178,200,315</u>	<u>170,774,547</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	1,390,788	463,933
Fair value changes arising from designation at fair value through profit or loss*	(143,301)	(1,416)
	<u>1,247,487</u>	<u>462,517</u>
	<u>179,447,802</u>	<u>171,237,064</u>

*Note:

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

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

(b) By type of customers

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Government and statutory bodies	1,973,108	9,180,558
Business enterprises	82,685,376	66,853,926
Individuals	92,203,138	92,528,696
Others	2,586,180	2,673,884
	<u>179,447,802</u>	<u>171,237,064</u>

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

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Due within six months	103,636,090	100,691,104
More than six months to one year	16,049,373	19,802,680
More than one year to five years	1,055,244	999,959
More than five years	569,654	181,751
	<u>121,310,361</u>	<u>121,675,494</u>

15. Investment accounts of customers

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Unrestricted investment accounts	1,042,995	356,475

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16. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Licensed banks	7,075,155	5,492,524
Licensed investment banks	251,664	75,304
Central banks*	1,263,371	1,176,258
Other financial institutions	1,971,532	1,830,205
	<u>10,561,722</u>	<u>8,574,291</u>

*Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,196,892,000 at concession rates.

17. Payables and other liabilities

	Note	The Group	
		As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Trade payables		3,670,806	3,425,048
Post employment benefits obligation - defined contribution plan		1,922	1,919
Loan advance payment		3,786,267	3,916,289
Treasury and cheque clearing		81,089	210,699
Treasury related payables		131,996	197,219
Sundry creditors and accruals		100,574	352,687
Provision for reinstatement cost		23,377	23,441
Provision for bonus and staff related expenses		199,369	211,345
Expected credit losses on financial guarantee contracts	(a)	4,755	8,480
Financial liabilities due to third party investors	(b)	7,258,747	5,609,138
Others		943,270	1,240,922
		<u>16,202,172</u>	<u>15,197,187</u>

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

The Group 31 March 2021	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	3,260	5,220	-	8,480
Changes in ECL due to transfer within stages	78	(84)	6	-
Transfer to Stage 1	130	(130)	-	-
Transfer to Stage 2	(52)	52	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	75	-	-	75
Financial assets derecognised	(59)	(1)	-	(60)
Changes due to change in credit risk	134	(3,576)	16	(3,426)
Changes in models/risk parameters	1	(89)	-	(88)
Exchange differences	(2)	(224)	-	(226)
As at 31 March	<u>3,487</u>	<u>1,246</u>	<u>22</u>	<u>4,755</u>

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17. Payables and other liabilities (continued)

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

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

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

	The Company	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Post employment benefits obligation - defined contribution plan	46	46
Sundry creditors and accruals	1,576	1,627
Amount due to subsidiary companies	-	714
Provision for reinstatement cost	247	237
Provision for bonus and staff related expenses	8,232	5,945
	10,101	8,569

18. Interest income

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Loans, advances and financing	1,015,523	1,176,830	3,094,500	3,646,732
Money at call and deposit placements with financial institutions	53,831	105,167	135,897	333,376
Financial investments at fair value through other comprehensive income	179,543	176,454	560,698	530,451
Financial investments at amortised cost	124,006	106,295	406,429	314,844
Others	4,132	5,121	12,837	17,632
	1,377,035	1,569,867	4,210,361	4,843,035
Of which:				
Interest income earned on impaired loans, advances and financing	(582)	4,390	(549)	7,294

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18. Interest income (continued)

	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Money at call and deposit placements with financial institutions	113	126	581	685
Subordinated obligations	17,465	17,659	53,171	53,365
Multi-currency Additional Tier 1 capital securities	9,715	9,823	29,577	29,685
	<u>27,293</u>	<u>27,608</u>	<u>83,329</u>	<u>83,735</u>

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

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Financial assets at fair value through profit or loss	<u>50,272</u>	<u>86,872</u>	<u>152,683</u>	<u>255,510</u>

20. Interest expense

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Deposits and placements of banks and other financial institutions	17,864	49,116	61,210	143,928
Deposits from customers	404,687	738,733	1,370,051	2,220,819
Short-term placements	41,892	73,844	145,387	275,730
Borrowings	6,013	10,672	22,959	37,503
Subordinated obligations	23,906	25,019	66,202	75,897
Recourse obligations on loans sold to Cagamas Berhad	2,575	2,603	7,838	3,985
Innovative Tier 1 capital securities	-	-	-	8,413
Multi-currency Additional Tier 1 capital securities	9,900	10,011	30,142	30,252
Others	12,175	6,395	38,363	18,971
	<u>519,012</u>	<u>916,393</u>	<u>1,742,152</u>	<u>2,815,498</u>

	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Borrowings	6,032	10,691	23,015	37,559
Subordinated obligations	17,869	18,068	54,400	54,599
Multi-currency Additional Tier 1 capital securities	10,011	10,122	30,476	30,587
Others	82	97	247	478
	<u>33,994</u>	<u>38,978</u>	<u>108,138</u>	<u>123,223</u>

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21. Income from Islamic banking business

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Income derived from investment of depositors' funds and others	352,847	387,450	1,056,347	1,174,687
Income derived from investment of shareholders' funds	41,160	60,527	141,206	157,486
Income derived from investment of investment accounts	8,399	4,939	20,727	11,427
Income attributable to depositors	(163,436)	(237,107)	(520,352)	(715,538)
Income attributable to depositors on investment accounts	(4,363)	(9,525)	(10,513)	(15,593)
	<u>234,607</u>	<u>206,284</u>	<u>687,415</u>	<u>612,469</u>
Of which:				
Financing income earned on impaired financing and advances	(43)	538	(208)	935

22. Non-interest income

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Net income from insurance business	109,393	3,712	247,842	102,375
Net brokerage and commissions from stockbroking business	33,314	22,047	110,755	48,100
Net unit trust and asset management income	14,571	11,049	41,528	45,733
Fee income:				
Commissions	55,195	36,277	138,220	116,636
Service charges and fees	9,712	10,689	31,497	33,628
Guarantee fees	4,097	3,633	12,595	10,779
Credit card related fees	42,479	48,774	132,901	159,633
Corporate advisory fees	2,888	948	5,719	2,932
Commitment fees	9,086	8,067	27,827	24,765
Fee on loans, advances and financing	10,620	10,814	34,209	34,070
Placement fees	8,096	6,078	13,354	8,281
Arranger fees	1,162	798	3,033	2,852
Other fee income	28,612	22,011	112,911	112,096
	<u>171,947</u>	<u>148,089</u>	<u>512,266</u>	<u>505,672</u>
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	(31,281)	35,212	44,226	97,568
Financial investments at fair value through other comprehensive income	45,976	137,635	237,459	268,989
Financial investments at amortised cost	29,385	-	29,385	-
Derivative financial instruments	(21,140)	25,680	(127,140)	(1,984)
	<u>22,940</u>	<u>198,527</u>	<u>183,930</u>	<u>364,573</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	16,420	15,404	47,850	40,055
Financial investments at fair value through other comprehensive income	-	-	375	3,683
	<u>16,420</u>	<u>15,404</u>	<u>48,225</u>	<u>43,738</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets at fair value through profit or loss	(35,116)	(74,044)	(21,227)	(91,327)
Derivative financial instruments	124,409	(131,780)	224,303	(137,659)
	<u>89,293</u>	<u>(205,824)</u>	<u>203,076</u>	<u>(228,986)</u>

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22. Non-interest income (continued)

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Net realised loss on fair value changes arising from fair value hedges	(1,787)	(596)	(4,195)	(1,475)
Net unrealised loss on fair value changes arising from fair value hedges	(1,027)	(808)	(3,237)	(998)
Other income:				
Foreign exchange (loss)/gain	(28,237)	(4,589)	31,266	32,155
Rental income	2,428	1,996	6,211	6,623
Net gain on disposal of property and equipment	5,307	3,780	5,602	4,136
Other non-operating income	2,196	3,082	6,261	11,504
	(18,306)	4,269	49,340	54,418
Total non-interest income	436,758	195,869	1,389,530	933,150

	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Fee income:				
Management fees	2,138	2,919	4,051	9,424
Net realised (loss)/gain from sale of:				
Financial assets at fair value through profit or loss	(1)	-	(1)	-
Derivative financial instruments	-	-	-	135
Gross dividend income from:				
Financial assets at fair value through profit or loss	-	-	1,120	142
Subsidiary companies	198,072	214,422	506,075	773,246
Other income:				
Gain on liquidation of a subsidiary	-	83	-	83
Gain from disposal of shares in subsidiary	-	-	88,122	-
Other non-operating income	58	57	486	172
Total non-interest income	200,267	217,481	599,853	783,202

23. Overhead expenses

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	313,188	300,888	934,156	905,803
- Medical expenses	9,584	10,996	24,861	27,679
- Training and convention expenses	2,653	2,474	6,147	15,061
- Staff welfare	3,218	3,078	9,066	7,803
- Others	13,994	14,773	83,046	43,443
	342,637	332,209	1,057,276	999,789
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,380	35,590	101,148	106,301
- Depreciation of right-of-use assets	13,817	13,945	40,604	41,459
- Amortisation of intangible assets	15,916	16,055	46,513	47,275
- Rental of premises	1,120	898	2,679	2,995
- Information technology expenses	52,838	47,310	147,430	136,186
- Security services	5,010	7,574	16,559	21,863
- Electricity, water and sewerage	4,939	6,765	16,073	19,120
- Hire of plant and machinery	3,417	2,824	10,399	9,696
- Others	7,751	6,983	21,896	20,478
	138,188	137,944	403,301	405,373

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23. Overhead expenses (continued)

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	8,837	7,609	19,940	23,829
- Sales commission and credit card related fees	29,286	29,405	81,226	94,213
- Others	11,824	13,257	37,314	34,116
	<u>49,947</u>	<u>50,271</u>	<u>138,480</u>	<u>152,158</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,817	6,032	17,814	17,335
- Stationery and printing expenses	3,330	3,945	10,248	10,452
- Professional fees	16,215	19,925	61,151	68,785
- Insurance fees	6,944	11,427	19,355	32,723
- Stamp, postage and courier	4,366	4,282	11,443	11,256
- Credit card fees	11,850	12,398	24,821	35,737
- Travelling and transport expenses	714	966	2,403	3,408
- Registration and license fees	2,587	2,518	7,551	6,809
- Brokerage and commission	2,635	2,036	6,997	6,366
- Others	12,859	15,488	34,049	32,890
	<u>67,317</u>	<u>79,017</u>	<u>195,832</u>	<u>225,761</u>
	<u>598,089</u>	<u>599,441</u>	<u>1,794,889</u>	<u>1,783,081</u>
	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	12,727	783	19,441	12,333
- Medical expenses	22	102	98	142
- Training and convention expenses	9	4	8	20
- Staff welfare	144	140	436	427
- Others	2,137	2,648	6,345	7,932
	<u>15,039</u>	<u>3,677</u>	<u>26,328</u>	<u>20,854</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	195	195	524	571
- Depreciation of right-of-use assets	235	235	705	705
- Amortisation of intangible assets	-	-	1	1
- Information technology expenses	31	43	98	92
- Electricity, water and sewerage	7	13	24	34
- Others	35	100	186	226
	<u>503</u>	<u>586</u>	<u>1,538</u>	<u>1,629</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5	10	23	20
- Stationery and printing expenses	7	6	20	20
- Professional fees	296	452	975	955
- Management fees	533	533	1,598	1,598
- Travelling and transport expenses	1	4	1	24
- Others	138	30	377	101
	<u>980</u>	<u>1,035</u>	<u>2,994</u>	<u>2,718</u>
	<u>16,522</u>	<u>5,298</u>	<u>30,860</u>	<u>25,201</u>

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

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	169,714	167,667	595,319	284,649
- Clients' and brokers' balances	(41)	1,635	(929)	1,724
- Other assets	-	381	-	381
Impaired loans, advances and financing:				
- Written off	3,907	3,468	12,433	13,272
- Recovered from bad debt written off	(59,469)	(43,931)	(151,023)	(160,052)
	<u>114,111</u>	<u>129,220</u>	<u>455,800</u>	<u>139,974</u>

25. Allowance for/(writeback of) impairment losses on other assets

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(46)	(645)	(83)	(177)
- Financial investments at amortised cost	(100)	113	(99)	73
- Other receivables	324	39	369	80
- Cash and short-term funds	-	(136)	(54)	(179)
- Deposits and placements with banks and other financial institutions	(23)	(1,328)	335	(94)
	<u>155</u>	<u>(1,957)</u>	<u>468</u>	<u>(297)</u>

	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(196)	(161)	(195)	(295)

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 24 March 2020 on additional measures to assist borrowers/customers affected by the COVID-19 outbreak. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by providing flexibilities for banking institutions to respond swiftly to the needs of their customers. To this effect, banking institutions are allowed to drawdown on the capital conservation buffer of 2.500%. However, BNM fully expects banking institutions to restore their buffers within a reasonable period after 31 December 2020 and to be in position to restore their buffers to the minimum regulatory requirements by 30 September 2021.

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26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2021	30/06/2020	31/03/2021	30/06/2020	31/03/2021	30/06/2020	31/03/2021	30/06/2020
Before deducting proposed dividends								
CET 1 capital ratio	10.973%	11.432%	12.995%	13.950%	13.204%	13.761%	36.013%	42.128%
Tier 1 capital ratio	11.916%	12.399%	13.537%	14.523%	13.545%	14.118%	36.013%	42.128%
Total capital ratio	14.851%	15.382%	15.706%	16.750%	15.626%	16.245%	46.706%	52.768%
After deducting proposed dividends								
CET 1 capital ratio	10.973%	11.225%	12.995%	13.657%	13.204%	13.395%	36.013%	35.500%
Tier 1 capital ratio	11.916%	12.193%	13.537%	14.230%	13.545%	13.752%	36.013%	35.500%
Total capital ratio	14.851%	15.175%	15.706%	16.456%	15.626%	15.879%	46.706%	46.139%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000
CET 1 capital								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	17,429,437	16,910,345	18,777,173	18,172,806	13,066,839	12,661,472	213,828	279,828
Other reserves	1,006,569	979,268	1,059,247	1,029,080	310,341	433,536	(4,532)	4,207
Qualifying non-controlling interests	6,268,156	5,727,807	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,834)	(719,458)	(723,344)	(719,458)	(723,344)	-	-
Less: Other intangible assets	(211,358)	(190,515)	(209,192)	(187,505)	(188,997)	(168,060)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,569)	(31,380)
Less: Deferred tax assets	-	-	(292,040)	(86,578)	(233,880)	(55,984)	(75,798)	(85,925)
Less: Investment in subsidiary companies/ associated companies	(8,282,540)	(7,332,038)	(5,366,019)	(4,644,527)	(2,727,633)	(2,727,486)	(200)	(200)
Total CET 1 capital	15,892,015	15,776,754	19,157,462	19,467,683	15,474,728	15,387,650	355,679	419,480

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26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,784	799,695	799,752	799,654	799,752	799,654	-	-
Qualifying non-controlling interests	566,969	535,266	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,366,753	1,334,961	799,752	799,654	799,752	799,654	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,366,753	1,334,961	799,752	799,654	399,752	399,654	-	-
Total Tier 1 capital	17,258,768	17,111,715	19,957,214	20,267,337	15,874,480	15,787,304	355,679	419,480
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,654,774	1,578,441	1,696,679	1,607,378	1,338,333	1,278,446	5,611	5,940
Subordinated obligations	1,599,850	1,599,820	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	995,295	938,135	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,249,919	4,116,396	3,196,649	3,107,348	2,438,303	2,378,416	105,611	105,940
Total capital	21,508,687	21,228,111	23,153,863	23,374,685	18,312,783	18,165,720	461,290	525,420

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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	
	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000	31/03/2021 RM '000	30/06/2020 RM '000
Credit risk *	132,381,927	126,275,278	135,734,346	128,590,231	107,066,650	102,275,706	448,852	476,122
Market risk	3,358,829	2,901,209	3,026,735	2,496,060	3,091,284	2,562,366	227,084	257,167
Operational risk	9,090,401	8,833,392	8,662,877	8,468,140	7,036,258	6,983,001	311,716	262,434
Total RWA	<u>144,831,157</u>	<u>138,009,879</u>	<u>147,423,958</u>	<u>139,554,431</u>	<u>117,194,192</u>	<u>111,821,073</u>	<u>987,652</u>	<u>995,723</u>

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM758,178,000 (30 June 2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	31/03/2021	30/06/2020
Before deducting proposed dividends		
CET 1 capital ratio	10.424%	10.871%
Tier 1 capital ratio	11.857%	12.432%
Total capital ratio	<u>14.471%</u>	<u>15.173%</u>
After deducting proposed dividends		
CET 1 capital ratio	10.424%	10.871%
Tier 1 capital ratio	11.857%	12.432%
Total capital ratio	<u>14.471%</u>	<u>15.173%</u>

27. Events after Balance Sheet date

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

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28. Changes in composition of the Group

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

- (a) On 30 November 2020, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, announced that HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB, had placed Promizul Sdn Bhd ("Promizul"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Promizul is currently dormant and there are no future plans to activate the company.
- (b) On 16 December 2020, HLB announced that it had placed HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees"), its wholly-owned subsidiary in Singapore, under member's voluntary winding-up. HL Bank Nominees is currently dormant and there are no future plans to activate the company.
- (c) On 3 May 2021, HLF announced that HLA Holdings Sdn Bhd, a wholly-owned subsidiary of HLF, had placed RC Holdings Sdn Bhd ("RCH"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. RCH is currently dormant and there are no future plans to use the company.

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

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

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

	The Group	
	31/03/2021	30/06/2020
	RM '000	RM '000
Direct credit substitutes	145,378	134,166
Certain transaction related contingent items	1,617,760	1,489,056
Short-term self liquidating trade related contingencies	765,554	538,144
Irrevocable commitments to extend credit:		
- Less than one year	24,539,450	20,856,358
- More than one year	18,264,485	17,807,310
Lending of bank's securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	52,352
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	929,438	894,438
Foreign exchange related contracts:		
- Less than one year	62,164,627	42,221,526
- One year to less than five years	4,655,284	4,089,668
- Five years and above	319,688	288,397
Interest rate related contracts:		
- Less than one year	73,742,812	20,322,617
- One year to less than five years	33,578,240	35,309,632
- Five years and above	3,830,236	2,719,803
Equity related contracts:		
- Less than one year	284,972	264,263
- One year to less than five years	154,975	136,115
- Five years and above	254,606	-
Credit related contracts:		
- Five years and above	578,437	291,272
Commodity related contracts:		
- Less than one year	30,415	-
Unutilised credit card lines	7,457,089	7,463,767
Total	<u>233,313,446</u>	<u>154,878,884</u>

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30. Commitments and contingencies (continued)

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

The size of the fund was above the minimum of RM1 million (30 June 2020: RM1 million).

31. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

The Group 31 March 2021	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<u>Recurring fair value measurements</u>				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	11,321,606	-	11,321,606
- Quoted securities	6,413,200	-	-	6,413,200
- Unquoted securities	-	7,805,398	352,951	8,158,349
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	21,704,915	-	21,704,915
- Quoted securities	3,283,218	-	-	3,283,218
- Unquoted securities	-	10,757,613	59,697	10,817,310
Derivative financial instruments	4,435	1,189,463	76,448	1,270,346
	<u>9,700,853</u>	<u>52,778,995</u>	<u>489,096</u>	<u>62,968,944</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	
31 March 2021				
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments	1,637	1,151,118	76,448	1,229,203
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,247,487	-	1,247,487
	<u>1,637</u>	<u>2,398,605</u>	<u>76,448</u>	<u>2,476,690</u>

30 June 2020

Recurring fair value measurements

Financial assets

Financial assets at fair value through profit or loss

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

Financial investments at fair value through other comprehensive income

- Money market instruments	-	14,485,935	-	14,485,935
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	10,518,169	60,094	10,578,263

Derivative financial instruments

	8	1,163,145	13,492	1,176,645
	<u>8,049,857</u>	<u>44,968,923</u>	<u>427,969</u>	<u>53,446,749</u>

Financial liabilities

Derivative financial instruments

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

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

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

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
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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	Financial investments at fair value through other comprehensive income	Derivative financial instruments	Derivative financial instruments
The Group	RM '000	RM '000	RM '000	RM '000
31 March 2021				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	-	-	43,519	43,519
Purchases	-	(397)	29,713	29,713
Disposal	(1,432)	-	-	-
Settlements	-	-	(10,276)	(10,276)
As at 31 March	<u>352,951</u>	<u>59,697</u>	<u>76,448</u>	<u>76,448</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2021	<u>-</u>	<u>-</u>	<u>43,519</u>	<u>43,519</u>
Total loss recognised in other comprehensive income relating to assets held on 31 March 2021	<u>-</u>	<u>(397)</u>	<u>-</u>	<u>-</u>
30 June 2020				
As at 1 July	326,621	44,331	7,812	7,812
Fair value changes recognised in statements of income	27,762	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
As at 30 June	<u>354,383</u>	<u>60,094</u>	<u>13,492</u>	<u>13,492</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	<u>27,762</u>	<u>-</u>	<u>(8,397)</u>	<u>(8,397)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	<u>-</u>	<u>15,763</u>	<u>-</u>	<u>-</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

1. Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM1,063.1 million for the current quarter ended 31 March 2021 as compared to RM603.4 million in the previous corresponding quarter, an increase of RM459.7 million or 76.2%. The increase was due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM940.8 million for the current quarter ended 31 March 2021 as compared to RM637.2 million in the previous corresponding quarter, an increase of RM303.6 million or 47.6%. The increase was mainly due to higher revenue of RM256.6 million, lower operating expenses of RM21.0 million, lower allowance for impairment losses on loans, advances and financing of RM11.6 million and higher share of profit from associated companies of RM16.3 million.

HLA Holdings Group recorded a profit before tax of RM93.9 million for the current quarter ended 31 March 2021 as compared to loss of RM42.9 million in the previous corresponding quarter, an increase of RM136.8 million or 318.9%. The increase was mainly due to higher life fund surplus of RM106.7 million and higher revenue of RM44.4 million. This was offset by higher operating expenses of RM6.2 million and lower share of profit from associated company of RM8.1 million.

Hong Leong Capital Group recorded a profit before tax of RM46.9 million for the current quarter ended 31 March 2021 as compared to RM10.5 million in the previous corresponding quarter, an increase of RM36.4 million or 346.7%. The increase was mainly due to higher contribution from investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM3,018.1 million for the period ended 31 March 2021 as compared to RM2,441.2 million in the previous corresponding period, an increase of RM576.9 million or 23.6%. The increase was due to higher contribution from all the operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,646.3 million for the period ended 31 March 2021 as compared to RM2,340.7 million in the previous corresponding period, an increase of RM305.6 million or 13.1%. The increase was mainly due to higher revenue of RM552.9 million, lower operating expenses of RM37.5 million and higher share of profit from associated companies of RM38.8 million. This was offset by higher allowance for impairment losses on loans, advances and financing of RM323.2 million.

HLA Holdings Group recorded a profit before tax of RM286.6 million for the period ended 31 March 2021 as compared to RM83.3 million in the previous corresponding period, an increase of RM203.3 million or 244.1%. The increase was mainly due to higher revenue of RM86.7 million and higher life fund surplus of RM144.6 million. This was offset by higher operating expenses of RM25.5 million and lower share of profit from associated company of RM2.8 million.

Hong Leong Capital Group recorded a profit before tax of RM153.0 million for the period ended 31 March 2021 as compared to RM58.1 million in the previous corresponding period, an increase of RM94.9 million or 163.3%. This was mainly due to higher contribution from the investment banking and stockbroking divisions.

2. Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,063.1 million for the current quarter ended 31 March 2021 as compared to RM967.2 million in the preceding quarter, an increase of RM95.9 million or 9.9%. The increase was mainly due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM940.8 million for the current quarter ended 31 March 2021 as compared to RM815.3 million in the preceding quarter, an increase of RM125.5 million or 15.4%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM126.6 million and higher share of profit from associated companies of RM14.2 million. This was offset by lower revenue of RM14.4 million.

HLA Holdings Group recorded a profit before tax of RM93.9 million for the current quarter ended 31 March 2021 as compared to RM127.1 million in the preceding quarter, a decrease of RM33.2 million or 26.1%. The decrease was mainly due to lower revenue of RM52.7 million and lower share of profit from associated company of RM2.7 million. This was however mitigated by higher life fund surplus of RM20.1 million.

Hong Leong Capital Group recorded a profit before tax of RM46.9 million for the current quarter ended 31 March 2021 as compared to RM53.4 million in the preceding quarter, a decrease of RM6.5 million or 12.2%. This was due to lower contribution from investment banking, stockbroking and asset management divisions.

3. Prospects for the current financial year

Looking forward, we anticipate a gradual recovery of the Malaysia economy underpinned by the Covid-19 vaccination roll out under National Covid19 Immunisation Programme. We shall continue to prudently manage our key business risks amid gradual improvement in business sentiments and the Malaysian Government's targeted approach on movement restrictions to contain the pandemic while allowing certain economic activities to resume. We remain cautiously optimistic that the Malaysian economy will progressively recover in 2021.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

4. Variance of actual profit from forecasted profit

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

5. Taxation

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Income tax	212,830	114,596	590,734	476,945
Transfer to deferred tax	(20,925)	(23,609)	(49,037)	(48,740)
	191,905	90,987	541,697	428,205
Prior year over provision	(144)	(438)	(44,967)	(438)
	191,761	90,549	496,730	427,767

	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Income tax	145	(2,172)	454	440
Transfer (to)/from deferred tax	(12)	113	(28)	23
	133	(2,059)	426	463

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

6. Status of corporate proposals

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

7. Borrowings

	The Group		The Company	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
Unsecured				
RM Term loans	1,000	5,001	1,000	5,001
RM Revolving credit	125,101	205,644	125,101	205,644
RM Medium term notes	-	223,027	-	253,445
RM Commercial papers	155,882	338,975	155,882	338,975
RM Senior notes	376,020	380,180	401,064	405,441
	658,003	1,152,827	683,047	1,208,506
Repayment of term loans				
- Less than one year	1,000	5,001	1,000	5,001
Repayment of revolving credit				
- Less than one year	125,101	205,644	125,101	205,644
Repayment of medium term notes				
- Less than one year	-	223,027	-	253,445
Repayment of commercial papers				
- Less than one year	155,882	338,975	155,882	338,975
Repayment of senior notes				
- Less than one year	376,020	5,530	401,064	5,455
- One to three years	-	374,650	-	399,986
	658,003	1,152,827	683,047	1,208,506

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

8. Subordinated obligations

	Note	The Group		The Company	
		As at 31/03/2021 RM '000	As at 30/06/2020 RM '000	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	590,000	300,000	-	-
Add: Interest payable		4,534	4,683	-	-
		<u>594,534</u>	<u>304,683</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,344	2,479	20,344	2,479
		<u>1,620,344</u>	<u>1,602,479</u>	<u>1,620,344</u>	<u>1,602,479</u>
Less: Unamortised discounts		(150)	(180)	(1,496)	(1,885)
		<u>1,620,194</u>	<u>1,602,299</u>	<u>1,618,848</u>	<u>1,600,594</u>
		<u>2,214,728</u>	<u>1,906,982</u>	<u>1,618,848</u>	<u>1,600,594</u>

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

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

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

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

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

9. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000	As at 31/03/2021 RM '000	As at 30/06/2020 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,151	6,804	7,151	6,804
	<u>807,151</u>	<u>806,804</u>	<u>807,151</u>	<u>806,804</u>
Less: Unamortised discounts	(216)	(305)	(866)	(1,165)
	<u>806,935</u>	<u>806,499</u>	<u>806,285</u>	<u>805,639</u>

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

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

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10. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 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	51,992,990	522,118	(236,651)
(ii) 1 year to 3 years	252,784	628	(3,485)
(iii) More than 3 years	128,941	865	-
- Swaps			
(i) Less than 1 year	8,287,374	38,653	(44,217)
(ii) 1 year to 3 years	2,765,519	109,847	(22,886)
(iii) More than 3 years	1,750,058	31,065	(12,113)
- Options			
(i) Less than 1 year	1,878,875	9,647	(8,020)
(ii) 1 year to 3 years	77,670	556	(727)
- Spots			
(i) Less than 1 year	5,388	13	(2)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	46,552,261	4,978	(1,637)
- Swaps			
(i) Less than 1 year	27,078,976	55,227	(112,389)
(ii) 1 year to 3 years	23,395,455	153,196	(355,263)
(iii) More than 3 years	13,823,011	236,758	(321,031)
- Cross currency swaps			
(i) Less than 1 year	111,575	8,611	-
(i) 1 year to 3 years	190,010	5,263	(17,970)
Equity related contracts			
(i) Less than 1 year	284,972	21,241	(21,243)
(ii) 1 year to 3 years	134,407	5,257	(5,257)
(iii) More than 3 years	275,174	50,032	(49,951)
Credit related contracts			
(i) More than 3 years	578,437	12,138	(12,138)
Commodity related contracts			
(i) Less than 1 year	30,415	4,253	(4,223)
Total	179,594,292	1,270,346	(1,229,203)

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10. Off-balance sheet financial instruments (continued)

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

The Group

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

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM152,067,000 (30 June 2020: RM105,074,000) and RM107,602,906,000 (30 June 2020: RM55,595,557,000) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,374,783,000 (30 June 2020: RM1,136,760,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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10. Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives

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

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

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

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

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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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

For the financial period ended 31 March 2021, an interim single-tier dividend of 10.80 sen per share was declared and paid (31 March 2020: 13.00 sen).

13. Earnings per share

(a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Net profit attributable to equity holders	577,273	339,200	1,691,888	1,332,361
Weighted average number of ordinary shares ('000)	1,133,789	1,134,600	1,133,792	1,135,919
Basic earnings per share (sen)	50.9	29.9	149.2	117.3
	The Company		The Company	
	Current quarter ended 31/03/2021 RM '000	Last year quarter ended 31/03/2020 RM '000	Current year to date 31/03/2021 RM '000	Last year to date 31/03/2020 RM '000
Net profit attributable to equity holders	177,107	203,033	543,953	718,345
Weighted average number of ordinary shares ('000)	1,137,881	1,137,881	1,137,881	1,138,019
Basic earnings per share (sen)	15.6	17.8	47.8	63.1

(b) Diluted earnings per share

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

Dated this 27 May 2021