

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

	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
THE GROUP		
Assets		
Cash and short-term funds	10,183,546	6,930,705
Deposits and placements with banks and other financial institutions	7,905,179	7,190,479
Financial assets at fair value through profit or loss	30,189,196	28,039,213
Financial investments at fair value through other comprehensive income	32,374,952	35,801,058
Financial investments at amortised cost	26,704,430	24,694,193
Derivative financial instruments	928,183	1,051,628
Loans, advances and financing	154,716,571	154,778,757
Clients' and brokers' balances	544,895	526,781
Other receivables	2,280,998	2,119,230
Statutory deposits with Central Banks	511,281	493,605
Tax recoverable	50,784	55,975
Deferred tax assets	75,091	19,253
Investment in associated companies	7,066,887	6,872,915
Property and equipment	1,326,279	1,355,232
Right-of-use assets	198,437	210,694
Investment properties	469,610	469,610
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	270,592	259,994
Total Assets	278,207,555	273,279,966
Liabilities		
Deposits from customers	180,651,891	181,768,820
Investment accounts of customers	1,203,125	1,145,154
Deposits and placements of banks and other financial institutions	14,404,014	14,179,461
Obligations on securities sold under repurchase agreements	4,348,470	742,750
Bills and acceptances payable	169,040	189,642
Derivative financial instruments	1,062,700	970,951
Clients' and brokers' balances	253,825	207,183
Payables and other liabilities	18,124,399	16,868,141
Lease liabilities	194,069	204,872
Recourse obligations on loans/financing sold to Cagamas Berhad	1,327,537	1,033,839
Provision for claims	253,475	247,366
Provision for taxation	331,519	380,809
Borrowings	697,562	662,026
Subordinated obligations	2,225,211	2,207,179
Multi-currency Additional Tier 1 capital securities	806,998	806,555
Insurance funds	18,021,480	17,731,780
Total Liabilities	244,075,315	239,346,528
Equity		
Share capital	2,267,008	2,267,008
Capital reserves	1,550,050	1,491,989
Retained profits	19,508,795	19,213,037
Fair value reserve	(71,170)	85,375
Treasury shares for ESOS	(238,970)	(238,970)
Total Shareholders' Equity	23,015,713	22,818,439
Non-controlling interests	11,116,527	11,114,999
Total Equity	34,132,240	33,933,438
Total Liabilities and Equity	278,207,555	273,279,966
Commitments and Contingencies		
	275,129,962	285,689,569
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	20.30	20.13

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
THE GROUP				
Interest income	1,388,574	1,417,086	1,388,574	1,417,086
Interest income for financial assets at fair value through profit or loss	65,313	51,367	65,313	51,367
Interest expense	(501,172)	(644,530)	(501,172)	(644,530)
Net interest income	952,715	823,923	952,715	823,923
Income from Islamic banking business	208,089	218,580	208,089	218,580
Non-interest income	398,491	456,300	398,491	456,300
Net income	1,559,295	1,498,803	1,559,295	1,498,803
Overhead expenses	(579,336)	(600,624)	(579,336)	(600,624)
Operating profit before allowances	979,959	898,179	979,959	898,179
Allowance for impairment losses on loans, advances and financing and other losses	(48,519)	(101,058)	(48,519)	(101,058)
Writeback of/(allowance for) impairment losses on other assets	188	(673)	188	(673)
	931,628	796,448	931,628	796,448
Share of results of associated companies	242,765	191,313	242,765	191,313
Profit before taxation	1,174,393	987,761	1,174,393	987,761
Taxation	(209,821)	(132,930)	(209,821)	(132,930)
Net profit for the financial period	964,572	854,831	964,572	854,831
Attributable to:				
Owners of the parent	640,562	587,033	640,562	587,033
Non-controlling interests	324,010	267,798	324,010	267,798
Net profit for the financial period	964,572	854,831	964,572	854,831
Earnings per share - basic (sen)	56.5	51.8	56.5	51.8

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
THE GROUP				
Net profit for the financial period	964,572	854,831	964,572	854,831
Other comprehensive income in respect of:				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Share of other comprehensive loss of associated companies	(6,006)	(6,647)	(6,006)	(6,647)
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(302,499)	158,824	(302,499)	158,824
- Changes in expected credit losses	(198)	71	(198)	71
Net fair value changes in cash flow hedge	2,248	(48)	2,248	(48)
Currency translation differences	63,346	(17,023)	63,346	(17,023)
Income tax relating to components of other comprehensive income	70,262	(33,646)	70,262	(33,646)
Other comprehensive (loss)/income for the financial period, net of tax	(172,847)	101,531	(172,847)	101,531
Total comprehensive income for the financial period, net of tax	791,725	956,362	791,725	956,362
Attributable to:				
Owners of the parent	526,779	652,507	526,779	652,507
Non-controlling interests	264,946	303,855	264,946	303,855
	791,725	956,362	791,725	956,362

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

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

	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short-term funds	12,192	10,614
Deposits and placements with banks and other financial institutions	3,360	3,360
Financial assets at fair value through profit or loss	12	-
Other receivables	522,310	1,972
Tax recoverable	10,731	10,836
Deferred tax assets	305	184
Investment in subsidiary companies	19,476,713	19,458,252
Property and equipment	3,057	3,189
Right-of-use assets	4,780	5,015
Intangible assets	97	107
Total Assets	20,033,557	19,493,529
<u>Liabilities</u>		
Payables and other liabilities	354,094	17,220
Lease liabilities	4,891	5,099
Borrowings	697,447	687,361
Subordinated obligations	1,619,507	1,601,242
Multi-currency Additional Tier 1 capital securities	806,488	805,975
Total Liabilities	3,482,427	3,116,897
<u>Equity</u>		
Share capital	2,267,008	2,267,008
Capital reserves	280,197	279,206
Retained profits	14,184,512	14,011,005
Treasury shares for ESOS	(180,587)	(180,587)
Total Equity	16,551,130	16,376,632
Total Liabilities and Equity	20,033,557	19,493,529

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

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
THE COMPANY				
Interest income	27,890	27,928	27,890	27,928
Interest expense	(34,258)	(38,748)	(34,258)	(38,748)
Net interest expense	(6,368)	(10,820)	(6,368)	(10,820)
Non-interest income	519,974	1,489	519,974	1,489
Net income/(expense)	513,606	(9,331)	513,606	(9,331)
Overhead expenses	(8,048)	(7,307)	(8,048)	(7,307)
Writeback of impairment losses on other assets	195	195	195	195
Profit/(loss) before taxation	505,753	(16,443)	505,753	(16,443)
Taxation	16	(141)	16	(141)
Net profit/(loss) for the financial period	<u>505,769</u>	<u>(16,584)</u>	<u>505,769</u>	<u>(16,584)</u>
Earnings per share - basic (sen)	<u>44.4</u>	<u>(1.5)</u>	<u>44.4</u>	<u>(1.5)</u>

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
THE COMPANY				
Net profit/(loss) for the financial period	505,769	(16,584)	505,769	(16,584)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income/(loss) for the financial period, net of tax	<u>505,769</u>	<u>(16,584)</u>	<u>505,769</u>	<u>(16,584)</u>

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2021	2,267,008	437,103	85,375	(3,959)	213,314	96,305	749,226	19,213,037	(238,970)	22,818,439	11,114,999	33,933,438
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	640,562	-	640,562	324,010	964,572
Currency translation differences	-	-	-	-	-	-	41,642	-	-	41,642	21,704	63,346
Share of other comprehensive loss of associated companies	-	-	(3,937)	-	-	-	-	-	-	(3,937)	(2,069)	(6,006)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(152,477)	-	-	-	-	-	-	(152,477)	(79,221)	(231,698)
- Changes in expected credit losses	-	-	(131)	-	-	-	-	-	-	(131)	(67)	(198)
Net fair value changes in cash flow hedge	-	-	-	1,120	-	-	-	-	-	1,120	589	1,709
Total comprehensive (loss)/income	-	-	(156,545)	1,120	-	-	41,642	640,562	-	526,779	264,946	791,725
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	13,563	-	-	-	-	-	(13,563)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(601)	-	(601)	601	-
Dividends payable	-	-	-	-	-	-	-	(332,262)	-	(332,262)	-	(332,262)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(265,357)	(265,357)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	1,338	1,338
Options charge arising from executive share scheme	-	-	-	-	-	3,780	-	-	-	3,780	-	3,780
Exercise of executive share scheme	-	-	-	-	-	(2,044)	-	1,622	-	(422)	-	(422)
As at 30 September 2021	2,267,008	450,666	(71,170)	(2,839)	213,314	98,041	790,868	19,508,795	(238,970)	23,015,713	11,116,527	34,132,240

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	-	587,033	-	587,033	267,798	854,831
Currency translation differences	-	-	-	-	-	-	(12,944)	-	-	(12,944)	(4,079)	(17,023)
Share of other comprehensive loss of associated companies	-	-	(4,358)	-	-	-	-	-	-	(4,358)	(2,289)	(6,647)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	82,735	-	-	-	-	-	-	82,735	42,432	125,167
- Changes in expected credit losses	-	-	66	-	-	-	-	-	-	66	5	71
Net fair value changes in cash flow hedge	-	-	-	(25)	-	-	-	-	-	(25)	(12)	(37)
Total comprehensive income/(loss)	-	-	78,443	(25)	-	-	(12,944)	587,033	-	652,507	303,855	956,362
<u>Transaction with owners</u>												
Transfer from regulatory reserve	-	(95,578)	-	-	-	-	-	95,578	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(2,351)	-	(2,351)	2,351	-
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	1,734	1,734
Options charge arising from executive share scheme	-	-	-	-	-	3,560	-	-	-	3,560	-	3,560
Purchase of treasury shares	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme	-	-	-	-	-	488	-	1,863	-	2,351	-	2,351
As at 30 September 2020	2,267,008	764,926	326,691	(5,595)	213,314	78,943	555,158	17,592,468	(238,970)	21,553,943	10,462,679	32,016,622

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM439,421,000 (30 September 2020: RM753,681,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 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 2021.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net profit for the financial period	-	-	-	-	505,769	505,769
Dividends payable	-	-	-	-	(332,262)	(332,262)
Options charge arising from executive share scheme	-	-	991	-	-	991
As at 30 September 2021	2,267,008	254,991	25,206	(180,587)	14,184,512	16,551,130
As at 1 July 2020	2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786
Net loss for the financial period	-	-	-	-	(16,584)	(16,584)
Options charge arising from executive share scheme	-	-	1,816	-	-	1,816
As at 30 September 2020	2,267,008	254,991	18,767	(180,587)	13,871,839	16,232,018

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	The Group		The Company	
	30/09/2021 RM '000	30/09/2020 RM '000	30/09/2021 RM '000	30/09/2020 RM '000
Profit before taxation	1,174,393	987,761	505,753	(16,443)
Adjustment for non-cash items	(247,301)	184,922	(509,732)	11,676
Operating profit/(loss) before working capital changes	927,092	1,172,683	(3,979)	(4,767)
Income tax paid	(273,923)	(127,555)	-	(88)
Interest received	106	144	106	144
Changes in working capital				
Net changes in operating assets	(1,118,235)	(4,393,569)	(3,206)	326,534
Net changes in operating liabilities	3,422,385	4,395,395	4,605	1,721
Net cash generated from/(used in) operating activities	2,957,425	1,047,098	(2,474)	323,544
Cash flows from investing activities				
Net sales/(purchases) of financial investments at fair value through other comprehensive income	3,262,094	(5,100,757)	-	-
Net purchases of financial investments at amortised cost	(2,010,237)	(1,159,544)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	337,676	330,163	-	-
Purchase of intangible assets	(10,402)	(4,745)	-	-
Purchase of property and equipment	(21,217)	(37,503)	-	(46)
Net proceeds from disposal of property and equipment	-	465	-	145
Dividends received from other investments	27,162	15,882	128	1,102
Dividends received from associated companies	-	11,993	-	-
Interest received from investment in debt instrument issued by subsidiary company				
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	9,518	9,466
Net cash generated from/(used in) investing activities	1,585,076	(5,944,046)	9,646	10,667
Cash flows from financing activities				
Purchase of treasury shares	-	(136)	-	-
Cash received from executive share scheme exercised	915	3,242	-	-
Repayment of lease liabilities	(6,918)	(8,519)	(207)	(195)
Proceeds from/(repayment of) revolving credit	85,000	(50,000)	85,000	(50,000)
Proceeds from commercial papers	130,000	-	130,000	-
Repayment of medium term notes	-	(220,000)	-	(250,000)
Repayment of senior notes	(170,000)	-	(200,000)	-
Repayment of term loans	-	(4,000)	-	(4,000)
Proceeds from recourse obligations on financing sold to Cagamas Berhad	300,000	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(9,719)	(9,666)	(9,719)	(9,666)
Interest paid on subordinated obligations	(5,728)	(5,759)	-	-
Interest paid on borrowings	(15,131)	(17,218)	(10,601)	(17,912)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(16,684)	(16,206)	-	-
Interest paid on lease liabilities	(2,390)	(2,536)	(67)	(79)
Net cash generated from/(used in) financing activities	289,345	(330,798)	(5,594)	(331,852)
Net increase/(decrease) in cash and cash equivalents	4,831,846	(5,227,746)	1,578	2,359
Effects of exchange rate changes	23,027	(47,130)	-	-
Cash and cash equivalents at 1 July	9,193,042	12,338,216	10,674	15,870
Cash and cash equivalents at 30 September	14,047,915	7,063,340	12,252	18,229
Analysis of cash and cash equivalents				
Cash and short-term funds	10,183,546	7,739,627	12,192	18,169
Deposits and placements with banks and other financial institutions	7,905,179	8,152,862	3,360	3,360
	18,088,725	15,892,489	15,552	21,529
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(4,040,810)	(8,829,149)	(3,300)	(3,300)
	14,047,915	7,063,340	12,252	18,229

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2021. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2021.

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

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

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

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

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

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

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 30 September 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 30 September 2021, no shares were exercised pursuant to the Company's Executive Share Option Scheme ("ESOS").

As at 30 September 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 remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 September 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 payable/paid

On 30 August 2021, the Board of Directors declared a final single-tier dividend of 29.2 sen per share in respect of the financial year ended 30 June 2021. The final single-tier dividend of 29.2 sen amounting to RM332.3 million was paid on 23 November 2021.

8. Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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

8. Segmental reporting (continued)

The Group 30 September 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	1,375,600	67,319	124,603	(8,227)	-	1,559,295
Inter-segment revenue	4,342	78	302	518,580	(523,302)	-
Segment revenue	<u>1,379,942</u>	<u>67,397</u>	<u>124,905</u>	<u>510,353</u>	<u>(523,302)</u>	<u>1,559,295</u>
Results						
Segment results	824,093	36,851	84,129	505,748	(519,193)	931,628
Share of results of associated companies						<u>242,765</u>
Profit before taxation						1,174,393
Taxation						<u>(209,821)</u>
Net profit for the financial period						964,572
Non-controlling interests						<u>(324,010)</u>
Profit attributable to owners of the parent						<u>640,562</u>
Other information						
Segment assets	242,354,751	4,427,441	27,182,770	20,033,595	(15,791,002)	<u>278,207,555</u>
Segment liabilities	212,921,074	3,510,270	23,386,682	3,484,073	773,216	<u>244,075,315</u>

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

8. Segmental reporting (continued)

The Group 30 September 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	1,345,724	87,222	79,882	(14,025)	-	1,498,803
Inter-segment revenue	3,127	27	338	2,606	(6,098)	-
Segment revenue	<u>1,348,851</u>	<u>87,249</u>	<u>80,220</u>	<u>(11,419)</u>	<u>(6,098)</u>	<u>1,498,803</u>
Results						
Segment results	723,132	52,714	41,417	(16,443)	(4,372)	796,448
Share of results of associated companies						<u>191,313</u>
Profit before taxation						<u>987,761</u>
Taxation						<u>(132,930)</u>
Net profit for the financial period						<u>854,831</u>
Non-controlling interests						<u>(267,798)</u>
Profit attributable to owners of the parent						<u><u>587,033</u></u>
Other information						
Segment assets	225,631,955	5,269,708	25,214,755	19,569,901	(16,092,319)	<u><u>259,594,000</u></u>
Segment liabilities	197,562,039	4,380,018	21,795,287	3,339,474	500,560	<u><u>227,577,378</u></u>

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

9. Financial assets at fair value through profit or loss

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Money market instruments:		
Bank Negara Malaysia bills	418,618	-
Government treasury bills	855,393	392,473
Malaysian Government securities	4,896,702	3,948,459
Malaysian Government investment certificates	2,181,057	2,058,036
Negotiable instruments of deposit	1,573,375	1,749,337
Cagamas bonds	274,485	233,282
Other Government securities	5,828,583	5,572,222
	<u>16,028,213</u>	<u>13,953,809</u>
Quoted securities:		
Shares in Malaysia	5,020,960	4,676,764
Shares outside Malaysia	621,512	722,057
Wholesale fund/unit trust investments	483,703	562,405
Foreign currency bonds outside Malaysia	33,434	29,755
Investment-linked funds	314	312
Loan stocks	1,142	1,186
Warrants in Malaysia	3,717	1,763
	<u>6,164,782</u>	<u>5,994,242</u>
Unquoted securities:		
Shares in Malaysia	374,729	374,729
Foreign currency bonds outside Malaysia	278,927	283,724
Government sukuk	20,424	81,315
Corporate bonds and sukuk	7,188,192	7,219,388
Perpetual bonds	108,929	107,006
Redeemable preference shares	25,000	25,000
	<u>7,996,201</u>	<u>8,091,162</u>
Total financial assets at fair value through profit or loss	<u>30,189,196</u>	<u>28,039,213</u>

	The Company	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Quoted securities:		
Unit trust investments	12	-

10. Financial investments at fair value through other comprehensive income

	Note	The Group	
		As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
At fair value			
Debt instruments	(a)	32,305,858	35,731,964
Equity instruments	(b)	69,094	69,094
		<u>32,374,952</u>	<u>35,801,058</u>

(a) Debt instruments

Money market instruments:		
Government treasury bills	811,485	917,859
Malaysian Government securities	4,059,481	4,232,082
Malaysian Government investment certificates	10,450,583	12,525,973
Negotiable instruments of deposit	101,571	800,392
Other Government securities	77,695	87,514
Khazanah bonds	518,035	469,874
Cagamas bonds	1,805,497	1,587,332
	<u>17,824,347</u>	<u>20,621,026</u>

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

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

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
(a) Debt instruments (continued)		
Quoted securities:		
Government sukuk	910,554	903,959
Foreign currency bonds in Malaysia	1,920,449	2,248,808
Foreign currency bonds outside Malaysia	1,068,641	1,505,360
	<u>3,899,644</u>	<u>4,658,127</u>
Unquoted securities:		
Government sukuk	523,260	495,244
Corporate bonds and sukuk	9,447,273	9,338,672
Foreign currency bonds in Malaysia	231,792	270,932
Foreign currency bonds outside Malaysia	379,542	347,963
	<u>10,581,867</u>	<u>10,452,811</u>
	<u>32,305,858</u>	<u>35,731,964</u>
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	69,094	69,094

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
30 September 2021				
As at 1 July	2,741	-	16,647	19,388
New financial assets originated or purchased	166	-	-	166
Financial assets derecognised	(307)	-	-	(307)
Changes due to change in credit risk	(63)	-	-	(63)
Exchange differences	8	-	101	109
As at 30 September	<u>2,545</u>	<u>-</u>	<u>16,748</u>	<u>19,293</u>
30 June 2021				
As at 1 July	2,539	-	16,997	19,536
New financial assets originated or purchased	1,464	-	-	1,464
Financial assets derecognised	(1,174)	-	-	(1,174)
Changes due to change in credit risk	(9)	-	-	(9)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(59)	-	(350)	(409)
As at 30 June	<u>2,741</u>	<u>-</u>	<u>16,647</u>	<u>19,388</u>

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

11. Financial investments at amortised cost

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Money market instruments:		
Malaysian Government securities	4,425,849	4,267,888
Malaysian Government investment certificates	17,336,375	14,622,877
Khazanah bonds	19,433	19,234
Other Government securities	504,608	505,500
	<u>22,286,265</u>	<u>19,415,499</u>
Quoted securities:		
Foreign currency bonds in Malaysia	-	816,599
Foreign currency bonds outside Malaysia	61,556	65,232
	<u>61,556</u>	<u>881,831</u>
Unquoted securities:		
Government sukuk	2,558,175	2,580,570
Corporate bonds and sukuk	1,781,530	1,799,734
Foreign currency bonds outside Malaysia	16,946	16,639
	<u>4,356,651</u>	<u>4,396,943</u>
Less: Expected credit losses	(42)	(80)
Total financial investments at amortised cost	<u>26,704,430</u>	<u>24,694,193</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group				
30 September 2021				
As at 1 July	80	-	-	80
New financial assets originated or purchased	29	-	-	29
Financial assets derecognised	(67)	-	-	(67)
As at 30 September	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
30 June 2021				
As at 1 July	217	-	-	217
New financial assets originated or purchased	44	-	-	44
Changes due to change in credit risk	(174)	-	-	(174)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	(6)	-	-	(6)
As at 30 June	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>

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

12. Loans, advances and financing

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Overdrafts	3,206,747	3,371,190
Term loans/financing:		
- Housing and shop loans/financing	86,774,266	86,120,721
- Hire purchase receivables	16,907,405	17,107,240
- Ijarah receivables	158,676	160,651
- Other term loans/financing and syndicated term loans	28,599,595	28,370,072
Credit/charge card receivables	2,861,199	2,830,912
Bills receivable	1,371,129	1,112,257
Trust receipts	1,470,240	533,845
Policy and premium loans	352,851	372,291
Claims on customers under acceptance credits	6,962,936	8,064,076
Revolving credits	7,704,393	8,347,977
Staff loans/financing	132,546	139,345
Other loans/financing	266	265
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	15,617	17,665
Allowance for impairment losses:		
- Expected credit losses	(1,801,295)	(1,769,750)
Total net loans, advances and financing	<u>154,716,571</u>	<u>154,778,757</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,316,574,000 (30 June 2021: RM1,019,858,000).

(a) By type of customers

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Domestic non-bank financial institutions	1,654,214	1,718,527
Domestic business enterprises:		
- Small and medium enterprises	26,445,103	26,079,862
- Others	22,164,443	22,832,734
Government and statutory bodies	1,596	1,664
Individuals	102,790,477	102,338,129
Other domestic entities	323,701	625,649
Foreign entities	3,122,715	2,934,277
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Fixed rate		
- Housing and shop loans/financing	1,469,428	1,499,285
- Hire purchase receivables	16,798,608	16,982,798
- Other fixed rate loans/financing	9,146,062	9,011,742
Variable rate		
- Base rate/base lending rate plus	108,439,215	107,668,954
- Cost plus	20,551,337	21,278,916
- Other variable rates	97,599	89,147
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>

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

12. Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Purchase of securities	1,395,571	1,252,939
Purchase of transport vehicles	16,549,820	16,769,062
Purchase of landed properties		
- Residential	77,908,085	77,191,630
- Non-residential	18,689,523	18,524,366
Purchase of fixed assets (excluding landed properties)	1,445,443	1,431,572
Personal use	3,579,096	3,441,092
Credit card	2,861,199	2,830,912
Construction	2,999,678	2,823,397
Working capital	29,065,374	30,292,454
Other purposes	2,008,460	1,973,418
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>

(d) By geographical distribution

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Malaysia	147,034,364	147,295,958
Singapore	6,265,811	6,186,948
Hong Kong	2,153	538
Vietnam	1,206,822	1,186,775
Cambodia	1,993,099	1,860,623
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>

(e) By residual contractual maturity

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Within one year	27,019,403	28,344,629
One year to less than three years	5,530,475	5,351,697
Three years to less than five years	12,458,752	12,369,513
Five years and more	111,493,619	110,465,003
Gross loans, advances and financing	<u>156,502,249</u>	<u>156,530,842</u>

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

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
As at 1 July	717,672	896,276
Classified as impaired during the financial period/year	307,832	1,095,845
Reclassified as non-impaired during the financial period/year	(150,102)	(700,744)
Amount written back in respect of recoveries	(57,813)	(252,898)
Amount written off	(62,282)	(320,659)
Exchange differences	(93)	(148)
As at end of the financial period/year	<u>755,214</u>	<u>717,672</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.5%</u>

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

12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Purchase of securities	290	304
Purchase of transport vehicles	86,266	71,797
Purchase of landed properties		
- Residential	298,901	267,046
- Non-residential	126,909	124,748
Purchase of fixed assets (excluding landed properties)	600	600
Personal use	45,500	44,705
Credit card	19,107	21,096
Construction	7,980	7,976
Working capital	137,259	147,669
Other purposes	32,402	31,731
Gross impaired loans, advances and financing	<u>755,214</u>	<u>717,672</u>

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

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Malaysia	744,092	706,957
Singapore	6,019	5,866
Vietnam	1,846	1,580
Cambodia	3,257	3,269
Gross impaired loans, advances and financing	<u>755,214</u>	<u>717,672</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM '000
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
The Group 30 September 2021				
As at 1 July	1,075,247	459,868	234,635	1,769,750
Changes in ECL due to transfer within stages	(23,748)	(24,928)	48,676	-
Transfer to Stage 1	5,744	(5,737)	(7)	-
Transfer to Stage 2	(28,649)	47,188	(18,539)	-
Transfer to Stage 3	(843)	(66,379)	67,222	-
New financial assets originated	9,440	85	5	9,530
Financial assets derecognised	(4,987)	(5,173)	(2,665)	(12,825)
Changes due to change in credit risk	(16,208)	77,000	38,647	99,439
Amount written off	-	-	(62,518)	(62,518)
Exchange differences	131	10	(16)	125
Other movements	-	-	(2,206)	(2,206)
As at 30 September	<u>1,039,875</u>	<u>506,862</u>	<u>254,558</u>	<u>1,801,295</u>

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

12. Loans, advances and financing (continued)

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

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

13. Other receivables

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Foreclosed properties	5,570	5,508
Sundry debtors and other prepayments	502,731	495,809
Settlement accounts	387,625	387,625
Treasury related receivables	826,869	806,250
Cash collateral pledged for derivative transactions	342,491	306,536
Fee income receivables	6,470	3,261
Other receivables	209,242	114,241
	<u>2,280,998</u>	<u>2,119,230</u>

	The Company	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Amount due from subsidiary companies	628	10
Dividends receivable	520,000	-
Sundry debtors and other prepayments	1,682	1,962
	<u>522,310</u>	<u>1,972</u>

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

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at	As at
	30/09/2021	30/06/2021
	RM '000	RM '000
At amortised cost		
Fixed deposits	91,846,038	91,630,006
Negotiable instruments of deposits	5,510,227	7,276,126
Short-term placements	22,166,361	21,803,680
	<u>119,522,626</u>	<u>120,709,812</u>
Demand deposits	34,872,115	35,279,818
Savings deposits	24,154,212	23,857,612
Others	534,142	563,080
	<u>179,083,095</u>	<u>180,410,322</u>
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	1,710,071	1,469,078
Fair value changes arising from designation at fair value through profit or loss*	(141,275)	(110,580)
	<u>1,568,796</u>	<u>1,358,498</u>
	<u>180,651,891</u>	<u>181,768,820</u>

*Note:

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

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

(b) By type of customers

	The Group	
	As at	As at
	30/09/2021	30/06/2021
	RM '000	RM '000
Government and statutory bodies	2,661,279	2,392,705
Business enterprises	80,732,137	83,003,914
Individuals	94,698,375	93,792,061
Others	2,560,100	2,580,140
	<u>180,651,891</u>	<u>181,768,820</u>

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

	The Group	
	As at	As at
	30/09/2021	30/06/2021
	RM '000	RM '000
Due within six months	93,906,771	97,955,437
More than six months to one year	23,610,473	20,881,750
More than one year to five years	1,339,849	1,251,960
More than five years	665,533	620,665
	<u>119,522,626</u>	<u>120,709,812</u>

15. Investment accounts of customers

	The Group	
	As at	As at
	30/09/2021	30/06/2021
	RM '000	RM '000
Unrestricted investment accounts	1,203,125	1,145,154

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

16. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Licensed banks	10,818,831	9,937,337
Licensed investment banks	20,937	351,028
Central banks*	1,557,953	1,382,520
Other financial institutions	2,006,293	2,508,576
	<u>14,404,014</u>	<u>14,179,461</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 RM1,530,043,000 (30 June 2021: RM1,317,291,000) at concession rates.

17. Payables and other liabilities

	Note	The Group	
		As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Trade payables		3,814,721	3,765,476
Post employment benefits obligation - defined contribution plan		1,890	1,889
Loan advance payment		3,802,575	3,795,992
Treasury and cheque clearing		520,560	162,604
Treasury related payables		91,934	145,411
Sundry creditors and accruals		414,659	375,011
Provision for reinstatement cost		23,096	23,394
Provision for bonus and staff related expenses		305,268	259,458
Expected credit losses on financial guarantee contracts	(a)	5,601	4,563
Financial liabilities due to third party investors	(b)	7,499,421	7,303,953
Settlement accounts		607,400	525,131
Others		1,037,274	505,259
		<u>18,124,399</u>	<u>16,868,141</u>

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL
	12 months ECL RM '000	Lifetime ECL not credit impaired RM '000	Lifetime ECL credit impaired RM '000	
As at 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	(8)	8	-	-
Transfer to Stage 1	2	(2)	-	-
Transfer to Stage 2	(10)	10	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	46	-	-	46
Financial assets derecognised	-	(1)	-	(1)
Changes due to change in credit risk	854	132	-	986
Exchange differences	1	6	-	7
As at 30 September	<u>4,271</u>	<u>1,330</u>	<u>-</u>	<u>5,601</u>

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

17. Payables and other liabilities (continued)

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

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

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

	The Company	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Post employment benefits obligation - defined contribution plan	40	40
Sundry creditors and accruals	2,003	1,713
Dividends payable	335,075	-
Amount due to subsidiary companies	121	-
Provision for reinstatement cost	254	250
Provision for bonus and staff related expenses	16,601	15,217
	354,094	17,220

18. Interest income

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Loans, advances and financing*	1,006,078	1,036,997	1,006,078	1,036,997
Money at call and deposit placements with financial institutions	40,460	45,442	40,460	45,442
Financial investments at fair value through other comprehensive income	193,471	191,167	193,471	191,167
Financial investments at amortised cost	144,205	138,996	144,205	138,996
Others	4,360	4,484	4,360	4,484
	1,388,574	1,417,086	1,388,574	1,417,086
Of which:				
Interest income earned on impaired loans, advances and financing	7,218	3,666	7,218	3,666

*Note:

Included the net loss effects of RM25,222,000 (30 September 2020: Nil) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

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

18. Interest income (continued)

	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Money at call and deposit placements with financial institutions	106	144	106	144
Subordinated obligations	17,853	17,853	17,853	17,853
Multi-currency Additional Tier 1 capital securities	9,931	9,931	9,931	9,931
	<u>27,890</u>	<u>27,928</u>	<u>27,890</u>	<u>27,928</u>

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

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Financial assets at fair value through profit or loss	<u>65,313</u>	<u>51,367</u>	<u>65,313</u>	<u>51,367</u>

20. Interest expense

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Deposits and placements of banks and other financial institutions	20,358	25,049	20,358	25,049
Deposits from customers	390,844	506,800	390,844	506,800
Short-term placements	34,967	55,825	34,967	55,825
Borrowings	5,667	10,153	5,667	10,153
Subordinated obligations	23,760	21,057	23,760	21,057
Recourse obligations on loans sold to Cagamas Berhad	3,466	2,632	3,466	2,632
Multi-currency Additional Tier 1 capital securities	10,120	10,121	10,120	10,121
Others	11,990	12,893	11,990	12,893
	<u>501,172</u>	<u>644,530</u>	<u>501,172</u>	<u>644,530</u>

	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Borrowings	5,687	10,166	5,687	10,166
Subordinated obligations	18,266	18,266	18,266	18,266
Multi-currency Additional Tier 1 capital securities	10,232	10,232	10,232	10,232
Others	73	84	73	84
	<u>34,258</u>	<u>38,748</u>	<u>34,258</u>	<u>38,748</u>

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

21. Income from Islamic banking business

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Income derived from investment of depositors' funds and others*	364,190	348,100	364,190	348,100
Income derived from investment of shareholders' funds*	15,039	51,448	15,039	51,448
Income derived from investment of investment accounts	7,250	5,547	7,250	5,547
Income attributable to depositors	(171,141)	(184,391)	(171,141)	(184,391)
Income attributable to depositors on investment accounts	(7,249)	(2,124)	(7,249)	(2,124)
	<u>208,089</u>	<u>218,580</u>	<u>208,089</u>	<u>218,580</u>
Of which:				
Financing income earned on impaired financing and advances	1,020	777	1,020	777

*Note:

Included the net loss effects of RM16,347,000 (30 September 2020: Nil) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

22. Non-interest income

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Net income from insurance business	90,744	45,956	90,744	45,956
Net brokerage and commissions from stockbroking business	20,745	41,583	20,745	41,583
Net unit trust and asset management income	16,544	12,374	16,544	12,374
Fee income:				
Commissions	54,171	38,504	54,171	38,504
Service charges and fees	5,903	8,322	5,903	8,322
Guarantee fees	2,603	4,420	2,603	4,420
Credit card related fees	42,194	46,103	42,194	46,103
Corporate advisory fees	1,450	917	1,450	917
Commitment fees	8,891	9,485	8,891	9,485
Fee on loans, advances and financing	13,027	12,615	13,027	12,615
Placement fees	4,064	730	4,064	730
Arranger fees	533	53	533	53
Other fee income	43,679	46,522	43,679	46,522
	<u>176,515</u>	<u>167,671</u>	<u>176,515</u>	<u>167,671</u>
Net realised gain/(loss) from sale of:				
Financial assets at fair value through profit or loss	3,899	46,917	3,899	46,917
Financial investments at fair value through other comprehensive income	67,884	121,844	67,884	121,844
Derivative financial instruments	(13,902)	(18,154)	(13,902)	(18,154)
	<u>57,881</u>	<u>150,607</u>	<u>57,881</u>	<u>150,607</u>
Gross dividend income from:				
Financial assets at fair value through profit or loss	27,162	15,507	27,162	15,507
Financial investments at fair value through other comprehensive income	-	375	-	375
	<u>27,162</u>	<u>15,882</u>	<u>27,162</u>	<u>15,882</u>
Net unrealised (loss)/gain on revaluation of:				
Financial assets at fair value through profit or loss	(26,388)	(3,727)	(26,388)	(3,727)
Derivative financial instruments	54,437	7,121	54,437	7,121
	<u>28,049</u>	<u>3,394</u>	<u>28,049</u>	<u>3,394</u>

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

22. Non-interest income (continued)

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(2,132)	(1,094)	(2,132)	(1,094)
Net unrealised loss on fair value changes arising from fair value hedges	(338)	(1,395)	(338)	(1,395)
Other income:				
Foreign exchange (loss)/gain	(19,832)	18,822	(19,832)	18,822
Rental income	1,634	1,266	1,634	1,266
Net (loss)/gain on disposal of property and equipment	(5)	168	(5)	168
Other non-operating income	1,524	1,066	1,524	1,066
	(16,679)	21,322	(16,679)	21,322
Total non-interest income	398,491	456,300	398,491	456,300

	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Fee income:				
Management fees	2,401	112	2,401	112
Net realised loss from sale of:				
Financial assets at fair value through profit or loss	(40)	-	(40)	-
Gross dividend income from:				
Financial assets at fair value through profit or loss	128	1,102	128	1,102
Subsidiary companies	517,186	-	517,186	-
Other income:				
Other non-operating income	299	275	299	275
Total non-interest income	519,974	1,489	519,974	1,489

23. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	306,913	306,702	306,913	306,702
- Medical expenses	7,627	8,628	7,627	8,628
- Training and convention expenses	2,200	1,999	2,200	1,999
- Staff welfare	3,904	3,017	3,904	3,017
- Others	9,654	35,311	9,654	35,311
	330,298	355,657	330,298	355,657
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,046	33,945	33,046	33,945
- Depreciation of right-of-use assets	13,421	13,388	13,421	13,388
- Amortisation of intangible assets	14,127	14,838	14,127	14,838
- Rental of premises	476	504	476	504
- Information technology expenses	57,859	48,648	57,859	48,648
- Security services	6,489	6,225	6,489	6,225
- Electricity, water and sewerage	6,061	5,554	6,061	5,554
- Hire of plant and machinery	3,501	3,488	3,501	3,488
- Others	8,812	7,808	8,812	7,808
	143,792	134,398	143,792	134,398

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

23. Overhead expenses (continued)

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
<u>Marketing expenses</u>				
- Advertisement and publicity	6,466	5,198	6,466	5,198
- Sales commission and credit card related fees	21,792	24,142	21,792	24,142
- Others	7,032	13,524	7,032	13,524
	<u>35,290</u>	<u>42,864</u>	<u>35,290</u>	<u>42,864</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,740	6,103	5,740	6,103
- Stationery and printing expenses	3,179	3,208	3,179	3,208
- Professional fees	25,071	22,948	25,071	22,948
- Insurance fees	6,346	5,901	6,346	5,901
- Stamp, postage and courier	3,371	3,413	3,371	3,413
- Credit card fees	7,373	11,708	7,373	11,708
- Travelling and transport expenses	550	835	550	835
- Registration and license fees	2,498	2,517	2,498	2,517
- Brokerage and commission	2,868	2,128	2,868	2,128
- Others	12,960	8,944	12,960	8,944
	<u>69,956</u>	<u>67,705</u>	<u>69,956</u>	<u>67,705</u>
	<u>579,336</u>	<u>600,624</u>	<u>579,336</u>	<u>600,624</u>
	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
<u>Personnel costs</u>				
- Salaries, bonus and allowances	5,275	3,512	5,275	3,512
- Medical expenses	1	39	1	39
- Training and convention expenses	1	(1)	1	(1)
- Staff welfare	127	149	127	149
- Others	1,267	2,017	1,267	2,017
	<u>6,671</u>	<u>5,716</u>	<u>6,671</u>	<u>5,716</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	132	175	132	175
- Depreciation of right-of-use assets	235	235	235	235
- Amortisation of intangible assets	10	-	10	-
- Information technology expenses	30	42	30	42
- Electricity, water and sewerage	7	10	7	10
- Others	44	69	44	69
	<u>458</u>	<u>531</u>	<u>458</u>	<u>531</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4	9	4	9
- Stationery and printing expenses	-	8	-	8
- Professional fees	230	390	230	390
- Management fees	584	533	584	533
- Others	101	120	101	120
	<u>919</u>	<u>1,060</u>	<u>919</u>	<u>1,060</u>
	<u>8,048</u>	<u>7,307</u>	<u>8,048</u>	<u>7,307</u>

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

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

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	97,175	146,559	97,175	146,559
- Clients' and brokers' balances	(99)	(657)	(99)	(657)
Impaired loans, advances and financing:				
- Written off	3,588	3,847	3,588	3,847
- Recovered from bad debt written off	(52,145)	(48,691)	(52,145)	(48,691)
	<u>48,519</u>	<u>101,058</u>	<u>48,519</u>	<u>101,058</u>

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

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(204)	108	(204)	108
- Financial investments at amortised cost	(38)	80	(38)	80
- Other receivables	8	283	8	283
- Cash and short-term funds	36	12	36	12
- Deposits and placements with banks and other financial institutions	10	190	10	190
	<u>(188)</u>	<u>673</u>	<u>(188)</u>	<u>673</u>

	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(195)	(195)	(195)	(195)

26. Capital adequacy

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

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

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

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

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2021	30/06/2021	30/09/2021	30/06/2021	30/09/2021	30/06/2021	30/09/2021	30/06/2021
Before deducting proposed dividends								
CET 1 capital ratio	11.399%	11.866%	13.015%	14.030%	12.930%	13.911%	32.442%	50.575%
Tier 1 capital ratio	12.331%	12.801%	13.536%	14.561%	13.259%	14.245%	32.442%	50.575%
Total capital ratio	15.221%	15.697%	15.656%	16.703%	15.293%	16.301%	42.781%	61.409%
After deducting proposed dividends								
CET 1 capital ratio	11.399%	11.643%	13.015%	13.552%	12.930%	13.307%	32.442%	34.419%
Tier 1 capital ratio	12.331%	12.578%	13.536%	14.083%	13.259%	13.642%	32.442%	34.419%
Total capital ratio	15.221%	15.474%	15.656%	16.224%	15.293%	15.697%	42.781%	45.253%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 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	18,856,704	19,213,037	20,017,128	20,751,376	13,404,872	14,139,555	232,626	389,376
Other reserves	1,042,298	1,108,509	1,113,909	1,217,660	270,718	366,088	(3,990)	1,514
Qualifying non-controlling interests	6,594,654	6,410,633	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,970)	(717,693)	(719,030)	(717,693)	(719,030)	-	-
Less: Other intangible assets	(257,146)	(245,593)	(252,125)	(242,317)	(227,446)	(218,277)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,558)	(31,745)
Less: Deferred tax assets	-	-	(351,653)	(275,670)	(246,075)	(183,513)	(117,525)	(121,199)
Less: Investment in subsidiary companies/ associated companies	(8,815,545)	(8,491,639)	(5,754,957)	(5,501,542)	(2,725,554)	(2,725,221)	(200)	(200)
Total CET 1 capital	17,102,716	17,676,698	19,962,360	21,138,228	15,726,338	16,627,118	330,303	490,696

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

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,843	799,813	799,817	799,785	799,817	799,785	-	-
Qualifying non-controlling interests	597,645	594,101	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,397,488	1,393,914	799,817	799,785	799,817	799,785	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,397,488	1,393,914	799,817	799,785	399,817	399,785	-	-
Total Tier 1 capital	18,500,204	19,070,612	20,762,177	21,938,013	16,126,155	17,026,903	330,303	490,696
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,698,727	1,695,147	1,750,911	1,726,493	1,374,848	1,356,795	5,263	5,115
Subordinated obligations	1,599,870	1,599,861	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,037,024	1,019,015	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,335,621	4,314,023	3,250,881	3,226,463	2,474,818	2,456,765	105,263	105,115
Total capital	22,835,825	23,384,635	24,013,058	25,164,476	18,600,973	19,483,668	435,566	595,811

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

26. Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000	30/09/2021 RM '000	30/06/2021 RM '000
Credit risk *	135,898,130	135,611,721	140,072,889	138,119,456	109,987,808	108,543,591	421,063	409,205
Market risk	4,812,734	4,167,709	4,430,256	3,778,671	4,469,195	3,895,661	277,371	248,108
Operational risk	9,319,833	9,194,803	8,876,341	8,761,958	7,171,681	7,087,877	319,707	312,925
Total RWA	<u>150,030,697</u>	<u>148,974,233</u>	<u>153,379,486</u>	<u>150,660,085</u>	<u>121,628,684</u>	<u>119,527,129</u>	<u>1,018,141</u>	<u>970,238</u>

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM892,054,000 (30 June 2021: RM847,370,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	30/09/2021	30/06/2021
Before deducting proposed dividends		
CET 1 capital ratio	10.867%	11.133%
Tier 1 capital ratio	12.256%	12.535%
Total capital ratio	<u>14.824%</u>	<u>15.112%</u>
After deducting proposed dividends		
CET 1 capital ratio	10.867%	11.133%
Tier 1 capital ratio	12.256%	12.535%
Total capital ratio	<u>14.824%</u>	<u>15.112%</u>

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

27. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 30 September 2021.

28. Changes in composition of the Group

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

- (a) HL Bank Nominees (Singapore) Pte. Ltd., a wholly-owned subsidiary of Hong Leong Bank Berhad, was dissolved on 1 November 2021.

29. Related party transactions

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

30. Commitments and contingencies

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

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

	The Group	
	30/09/2021	30/06/2021
	RM '000	RM '000
Direct credit substitutes	171,851	172,600
Certain transaction related contingent items	1,752,982	1,676,061
Short-term self liquidating trade related contingencies	704,267	671,759
Irrevocable commitments to extend credit:		
- Less than one year	25,554,351	23,767,882
- More than one year	22,210,114	20,459,242
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- More than one year	30,000	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	900,917	911,550
Foreign exchange related contracts:		
- Less than one year	62,480,147	65,568,146
- One year to less than five years	5,231,085	5,104,301
- Five years and above	405,822	361,486
Interest rate related contracts:		
- Less than one year	90,929,135	119,693,163
- One year to less than five years	50,898,071	34,095,456
- Five years and above	4,671,739	4,387,355
Equity related contracts:		
- Less than one year	244,017	247,217
- One year to less than five years	79,966	121,619
- Five years and above	257,124	255,112
Credit related contracts:		
- Five years and above	708,717	652,187
Commodity related contracts:		
- Less than one year	68,705	55,088
- One year to less than five years	582,830	39,881
Unutilised credit card lines	7,248,122	7,419,464
Total	275,129,962	285,689,569

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

31. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

The Group 30 September 2021	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	16,028,213	-	16,028,213
- Quoted securities	6,164,782	-	-	6,164,782
- Unquoted securities	-	7,621,472	374,729	7,996,201
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	17,824,347	-	17,824,347
- Quoted securities	3,899,644	-	-	3,899,644
- Unquoted securities	-	10,581,867	69,094	10,650,961
Derivative financial instruments	6,454	848,406	73,323	928,183
	<u>10,070,880</u>	<u>52,904,305</u>	<u>517,146</u>	<u>63,492,331</u>

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

31. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
30 September 2021				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	2,339	987,107	73,254	1,062,700
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,568,796	-	1,568,796
	<u>2,339</u>	<u>2,555,903</u>	<u>73,254</u>	<u>2,631,496</u>

30 June 2021

Recurring fair value measurements

Financial assets

Financial assets at fair value through profit or loss				
- Money market instruments	-	13,953,809	-	13,953,809
- Quoted securities	5,994,242	-	-	5,994,242
- Unquoted securities	-	7,716,433	374,729	8,091,162
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	20,621,026	-	20,621,026
- Quoted securities	4,658,127	-	-	4,658,127
- Unquoted securities	-	10,452,811	69,094	10,521,905
Derivative financial instruments	2,886	971,829	76,913	1,051,628
	<u>10,655,255</u>	<u>53,715,908</u>	<u>520,736</u>	<u>64,891,899</u>

Financial liabilities

Derivative financial instruments	1,654	892,384	76,913	970,951
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,358,498	-	1,358,498
	<u>1,654</u>	<u>2,250,882</u>	<u>76,913</u>	<u>2,329,449</u>

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

The Company	Fair value			Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	
30 September 2021				
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
- Quoted securities	12	-	-	12
	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>

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

31. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Financial assets			Financial liability
	Financial assets at fair value through profit or loss	Financial investments at fair value through other comprehensive income	Derivative financial instruments	Derivative financial instruments
The Group	RM '000	RM '000	RM '000	RM '000
30 September 2021				
As at 1 July	374,729	69,094	76,913	76,913
Fair value changes recognised in statements of income	-	-	(3,612)	(3,612)
Purchases	-	-	1,165	1,096
Settlements	-	-	(1,143)	(1,143)
As at 30 September	<u>374,729</u>	<u>69,094</u>	<u>73,323</u>	<u>73,254</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2021	<u>-</u>	<u>-</u>	<u>(3,612)</u>	<u>(3,612)</u>
30 June 2021				
As at 1 July	354,383	60,094	13,492	13,492
Fair value changes recognised in statements of income	21,778	-	77,666	77,666
Net fair value changes recognised in other comprehensive income	-	9,000	-	-
Purchases	-	-	62,449	62,449
Disposal	(1,432)	-	-	-
Settlements	-	-	(76,694)	(76,694)
As at 30 June	<u>374,729</u>	<u>69,094</u>	<u>76,913</u>	<u>76,913</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	<u>21,778</u>	<u>-</u>	<u>77,666</u>	<u>77,666</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2021	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>

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

1. Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM1,174.4 million for the current quarter ended 30 September 2021 as compared to RM987.8 million in the previous corresponding quarter, an increase of RM186.6 million or 18.9%. The increase was due to higher contribution from commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,042.1 million for the current quarter ended 30 September 2021 as compared to RM890.2 million in the previous corresponding quarter, an increase of RM151.9 million or 17.1%. The increase was mainly due to higher revenue of RM31.1 million, lower operating expenses of RM13.8 million, lower allowance for impairment losses on loans, advances and financing of RM55.6 million, writeback of impairment losses on other assets of RM0.5 million and higher share of profit from associated companies of RM50.9 million.

HLA Holdings Group recorded a profit before tax of RM108.9 million for the current quarter ended 30 September 2021 as compared to RM65.6 million in the previous corresponding quarter, an increase of RM43.3 million or 66.0%. The increase was mainly due to higher life fund surplus of RM52.4 million and higher share of profit from associated company of RM0.5 million. This was offset by lower revenue of RM7.8 million and higher operating expenses of RM1.9 million.

Hong Leong Capital Group recorded a profit before tax of RM36.9 million for the current quarter ended 30 September 2021 as compared to RM52.7 million in the previous corresponding quarter, a decrease of RM15.8 million or 30.0%. The decrease was mainly due to lower contribution from investment banking and stockbroking divisions.

2. Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,174.4 million for the current quarter ended 30 September 2021 as compared to RM953.4 million in the preceding quarter, an increase of RM221.0 million or 23.2%. The increase was mainly due to higher contribution from commercial banking, investment banking and stockbroking divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,042.1 million for the current quarter ended 30 September 2021 as compared to RM824.6 million in the preceding quarter, an increase of RM217.5 million or 26.4%. The increase was mainly due to higher revenue of RM47.6 million, lower operating expenses of RM25.2 million, lower allowance for impairment losses on loans, advances and financing of RM145.5 million and writeback of impairment losses on other assets of RM0.4 million. This was offset by lower share of profit from associated companies of RM1.2 million.

HLA Holdings Group recorded a profit before tax of RM108.9 million for the current quarter ended 30 September 2021 as compared to RM119.9 million in the preceding quarter, a decrease of RM11.0 million or 9.2%. The decrease was mainly due to lower revenue of RM3.9 million and higher operating expenses of RM9.8 million. This was however mitigated by higher life fund surplus of RM3.1 million.

Hong Leong Capital Group recorded a profit before tax of RM36.9 million for the current quarter ended 30 September 2021 as compared to RM24.4 million in the preceding quarter, an increase of RM12.5 million or 51.2%. This was due to higher contribution from investment banking, stockbroking and asset management divisions.

3. Prospects for the current financial year

Looking forward, we anticipate the Malaysia economy to recover progressively underpinned by the decline in overall infectivity rate amidst high percentage of fully-vaccinated adult population, lifting of interstate travel restrictions and more States transitioning to Phase 3 and Phase 4 of the National Recovery Plan. Notwithstanding the easing and improving public health conditions, we shall remain prudent in managing our key business risks amidst a macro-economic environment besets with global supply chain challenges and rising commodity prices. We remain cautious on the outlook of the Malaysian economy and hopeful that it will progressively recover into 2022.

4. Variance of actual profit from forecasted profit

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

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

5. Taxation

	The Group		The Group	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Income tax	197,582	180,192	197,582	180,192
Transfer from/(to) deferred tax	13,992	(2,804)	13,992	(2,804)
	211,574	177,388	211,574	177,388
Prior year over provision	(1,753)	(44,458)	(1,753)	(44,458)
	<u>209,821</u>	<u>132,930</u>	<u>209,821</u>	<u>132,930</u>

	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Income tax	105	154	105	154
Transfer to deferred tax	(121)	(13)	(121)	(13)
	<u>(16)</u>	<u>141</u>	<u>(16)</u>	<u>141</u>

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

6. Status of corporate proposals

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

7. Borrowings

	The Group		The Company	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
Unsecured				
RM Term loans	1,000	1,000	1,000	1,000
RM Revolving credit	210,204	125,094	210,204	125,094
RM Commercial papers	285,812	155,846	285,812	155,846
RM Senior notes	200,546	380,086	200,431	405,421
	<u>697,562</u>	<u>662,026</u>	<u>697,447</u>	<u>687,361</u>
Repayment of term loans				
- Less than one year	1,000	1,000	1,000	1,000
Repayment of revolving credit				
- Less than one year	210,204	125,094	210,204	125,094
Repayment of commercial papers				
- Less than one year	285,812	155,846	285,812	155,846
Repayment of senior notes				
- Less than one year	200,546	380,086	200,431	405,421
	<u>697,562</u>	<u>662,026</u>	<u>697,447</u>	<u>687,361</u>

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

8. Subordinated obligations

	Note	The Group		The Company	
		As at 30/09/2021 RM '000	As at 30/06/2021 RM '000	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,597	4,710	-	-
		<u>604,597</u>	<u>604,710</u>	<u>-</u>	<u>-</u>
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,744	2,608	20,744	2,608
		<u>1,620,744</u>	<u>1,602,608</u>	<u>1,620,744</u>	<u>1,602,608</u>
Less: Unamortised discounts		(130)	(139)	(1,237)	(1,366)
		<u>1,620,614</u>	<u>1,602,469</u>	<u>1,619,507</u>	<u>1,601,242</u>
		<u>2,225,211</u>	<u>2,207,179</u>	<u>1,619,507</u>	<u>1,601,242</u>

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

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

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

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

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

9. Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000	As at 30/09/2021 RM '000	As at 30/06/2021 RM '000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,155	6,742	7,155	6,742
	<u>807,155</u>	<u>806,742</u>	<u>807,155</u>	<u>806,742</u>
Less: Unamortised discounts	(157)	(187)	(667)	(767)
	<u>806,998</u>	<u>806,555</u>	<u>806,488</u>	<u>805,975</u>

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

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

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

10. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 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	56,224,869	256,935	(233,609)
(ii) 1 year to 3 years	341,437	1,135	(3,331)
(iii) More than 3 years	720,164	4,015	(588)
- Swaps			
(i) Less than 1 year	4,129,370	25,849	(43,740)
(ii) 1 year to 3 years	2,894,569	102,721	(20,104)
(iii) More than 3 years	1,444,198	33,124	(15,855)
- Options			
(i) Less than 1 year	2,125,908	7,620	(7,832)
(ii) 1 year to 3 years	236,539	1,924	(1,429)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	60,846,333	6,158	(1,618)
(ii) 1 year to 3 years	8,440,678	545	(721)
- Swaps			
(i) Less than 1 year	29,887,502	37,782	(91,736)
(ii) 1 year to 3 years	27,667,116	130,333	(234,416)
(iii) More than 3 years	19,354,896	189,599	(270,873)
- Cross currency swaps			
(i) Less than 1 year	195,300	8,994	-
(ii) 1 year to 3 years	107,120	2,040	(17,578)
Equity related contracts			
(i) Less than 1 year	244,017	6,725	(6,725)
(ii) 1 year to 3 years	59,197	2,582	(2,512)
(iii) More than 3 years	277,893	64,072	(64,015)
Credit related contracts			
(i) More than 3 years	708,717	18,040	(18,040)
Commodity related contracts			
(i) Less than 1 year	68,705	11,509	(11,497)
(ii) 1 year to 3 years	582,830	16,481	(16,481)
Total	216,557,358	928,183	(1,062,700)

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

10. Off-balance sheet financial instruments (continued)

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

The Group

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

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 RM38,395,000 (30 June 2021: RM327,979,000) and RM142,854,662,000 (30 June 2021: RM154,955,054,000) respectively.

Derivatives

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

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

10. Off-balance sheet financial instruments (continued)

Credit risk

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM992,193,000 (30 June 2021: RM1,122,776,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

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

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

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

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

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

10. Off-balance sheet financial instruments (continued)

Related accounting policies (continued)

Cash flow hedge

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

11. Material litigation

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

12. Dividend

No interim dividend has been proposed for the current quarter.

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 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Net profit attributable to equity holders	640,562	587,033	640,562	587,033
Weighted average number of ordinary shares ('000)	1,133,789	1,133,797	1,133,789	1,133,797
Basic earnings per share (sen)	56.5	51.8	56.5	51.8
	The Company		The Company	
	Current quarter ended 30/09/2021 RM '000	Last year quarter ended 30/09/2020 RM '000	Current year to date 30/09/2021 RM '000	Last year to date 30/09/2020 RM '000
Net profit/(loss) attributable to equity holders	505,769	(16,584)	505,769	(16,584)
Weighted average number of ordinary shares ('000)	1,137,881	1,137,881	1,137,881	1,137,881
Basic earnings per share (sen)	44.4	(1.5)	44.4	(1.5)

(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 29 November 2021