

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2022

| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
|--|---|---|
| THE GROUP | | |
| Assets | | |
| Cash and short-term funds | 9,882,823 | 6,930,705 |
| Deposits and placements with banks and other financial institutions | 2,913,503 | 7,190,479 |
| Securities purchased under resale agreements | 100,623 | - |
| Financial assets at fair value through profit or loss | 32,367,353 | 28,039,213 |
| Financial investments at fair value through other comprehensive income | 29,174,619 | 35,801,058 |
| Financial investments at amortised cost | 30,736,398 | 24,694,193 |
| Derivative financial instruments | 1,253,034 | 1,051,628 |
| Loans, advances and financing | 161,509,832 | 154,778,757 |
| Clients' and brokers' balances | 787,575 | 526,781 |
| Other receivables | 2,868,216 | 2,119,230 |
| Statutory deposits with Central Banks | 471,052 | 493,605 |
| Tax recoverable | 19,991 | 55,975 |
| Deferred tax assets | 181,262 | 19,253 |
| Investment in associated companies | 7,728,258 | 6,872,915 |
| Property and equipment | 1,286,740 | 1,355,232 |
| Right-of-use assets | 182,519 | 210,694 |
| Investment properties | 469,610 | 469,610 |
| Goodwill arising on consolidation | 2,410,644 | 2,410,644 |
| Intangible assets | 313,699 | 259,994 |
| Total Assets | 284,657,751 | 273,279,966 |
| Liabilities | | |
| Deposits from customers | 190,015,530 | 181,768,820 |
| Investment accounts of customers | 2,618,307 | 1,145,154 |
| Deposits and placements of banks and other financial institutions | 11,761,335 | 14,179,461 |
| Obligations on securities sold under repurchase agreements | 7,334,188 | 742,750 |
| Bills and acceptances payable | 170,041 | 189,642 |
| Derivative financial instruments | 1,364,924 | 970,951 |
| Clients' and brokers' balances | 355,355 | 207,183 |
| Payables and other liabilities | 11,868,920 | 16,868,141 |
| Lease liabilities | 179,638 | 204,872 |
| Recourse obligations on loans/financing sold to Cagamas Berhad | 1,472,189 | 1,033,839 |
| Provision for claims | 289,771 | 247,366 |
| Provision for taxation | 412,651 | 380,809 |
| Borrowings | 455,525 | 662,026 |
| Subordinated obligations | 2,224,806 | 2,207,179 |
| Multi-currency Additional Tier 1 capital securities | 807,053 | 806,555 |
| Insurance funds | 18,042,050 | 17,731,780 |
| Total Liabilities | 249,372,283 | 239,346,528 |
| Equity | | |
| Share capital | 2,267,008 | 2,267,008 |
| Capital reserves | 1,731,475 | 1,491,989 |
| Retained profits | 20,375,194 | 19,213,037 |
| Fair value reserve | (330,989) | 85,375 |
| Treasury shares for ESOS | (236,039) | (238,970) |
| Total Shareholders' Equity | 23,806,649 | 22,818,439 |
| Non-controlling interests | 11,478,819 | 11,114,999 |
| Total Equity | 35,285,468 | 33,933,438 |
| Total Liabilities and Equity | 284,657,751 | 273,279,966 |
| Commitments and Contingencies | 243,371,339 | 285,689,569 |
| Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM) | 20.99 | 20.13 |

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

| THE GROUP | Individual Quarter | | Cumulative Quarter | |
|---|--|--|---------------------------------------|------------------------------------|
| | Current quarter ended 31-03-2022 | Last year quarter ended 31-03-2021 | Current year to date 31-03-2022 | Last year to date 31-03-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Interest income | 1,407,051 | 1,377,035 | 4,215,291 | 4,210,361 |
| Interest income for financial assets at fair value through profit or loss | 69,935 | 50,272 | 200,814 | 152,683 |
| Interest expense | (508,598) | (519,012) | (1,509,284) | (1,742,152) |
| Net interest income | 968,388 | 908,295 | 2,906,821 | 2,620,892 |
| Income from Islamic banking business | 224,397 | 234,607 | 665,482 | 687,415 |
| Non-interest income | 309,769 | 436,758 | 1,033,849 | 1,389,530 |
| Net income | 1,502,554 | 1,579,660 | 4,606,152 | 4,697,837 |
| Overhead expenses | (589,592) | (598,089) | (1,750,190) | (1,794,889) |
| Operating profit before allowances | 912,962 | 981,571 | 2,855,962 | 2,902,948 |
| Allowance for impairment losses on loans, advances and financing and other losses (Allowance for)/Writeback of impairment losses on other assets | (51,187) | (114,111) | (132,906) | (455,800) |
| | (130) | (155) | 487 | (468) |
| | 861,645 | 867,305 | 2,723,543 | 2,446,680 |
| Share of results of associated companies | 268,108 | 195,784 | 782,212 | 571,389 |
| Profit before taxation | 1,129,753 | 1,063,089 | 3,505,755 | 3,018,069 |
| Taxation | (257,985) | (191,761) | (830,557) | (496,730) |
| Net profit for the financial period | 871,768 | 871,328 | 2,675,198 | 2,521,339 |
| Attributable to: | | | | |
| Owners of the parent | 577,478 | 577,273 | 1,777,526 | 1,691,888 |
| Non-controlling interests | 294,290 | 294,055 | 897,672 | 829,451 |
| Net profit for the financial period | 871,768 | 871,328 | 2,675,198 | 2,521,339 |
| Earnings per share - basic (sen) | 50.9 | 50.9 | 156.8 | 149.2 |

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 31 MARCH 2022

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| THE GROUP | | | | |
| Net profit for the financial period | 871,768 | 871,328 | 2,675,198 | 2,521,339 |
| Other comprehensive income in respect of: | | | | |
| <u>Items that will not be reclassified to profit or loss</u> | | | | |
| Equity instruments at fair value through other comprehensive income | | | | |
| - Net fair value changes | - | (168) | - | (168) |
| <u>Items that may be reclassified subsequently to profit or loss</u> | | | | |
| Share of other comprehensive (loss)/income of associated companies | (4,976) | 11,307 | 220 | (12,768) |
| Debt instruments at fair value through other comprehensive income | | | | |
| - Net fair value changes | (274,462) | (544,233) | (807,272) | (452,619) |
| - Changes in expected credit losses | (44) | (8) | (407) | (123) |
| Net fair value changes in cash flow hedge | 4,611 | 3,349 | 10,475 | 4,706 |
| Currency translation differences | 87,957 | 212,326 | 204,681 | 179,325 |
| Income tax relating to components of other comprehensive income | 54,515 | 123,967 | 174,284 | 105,657 |
| Other comprehensive loss for the financial period, net of tax | (132,399) | (193,460) | (418,019) | (175,990) |
| Total comprehensive income for the financial period, net of tax | <u>739,369</u> | <u>677,868</u> | <u>2,257,179</u> | <u>2,345,349</u> |
| Attributable to: | | | | |
| Owners of the parent | 488,854 | 452,001 | 1,500,926 | 1,574,564 |
| Non-controlling interests | <u>250,515</u> | <u>225,867</u> | <u>756,253</u> | <u>770,785</u> |
| | <u>739,369</u> | <u>677,868</u> | <u>2,257,179</u> | <u>2,345,349</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 FINANCIAL POSITION
AS AT 31 MARCH 2022

| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
|---|---|---|
| THE COMPANY | | |
| <u>Assets</u> | | |
| Cash and short-term funds | 75,152 | 10,614 |
| Deposits and placements with banks and other financial institutions | 3,360 | 3,360 |
| Other receivables | 2,765 | 1,972 |
| Tax recoverable | 597 | 10,836 |
| Deferred tax assets | 185 | 184 |
| Investment in subsidiary companies | 19,476,382 | 19,458,252 |
| Property and equipment | 5,054 | 3,189 |
| Right-of-use assets | 4,310 | 5,015 |
| Intangible assets | 79 | 107 |
| Total Assets | 19,567,884 | 19,493,529 |
| <u>Liabilities</u> | | |
| Payables and other liabilities | 12,313 | 17,220 |
| Lease liabilities | 4,466 | 5,099 |
| Borrowings | 455,438 | 687,361 |
| Subordinated obligations | 1,619,433 | 1,601,242 |
| Multi-currency Additional Tier 1 capital securities | 806,683 | 805,975 |
| Total Liabilities | 2,898,333 | 3,116,897 |
| <u>Equity</u> | | |
| Share capital | 2,267,008 | 2,267,008 |
| Capital reserves | 256,669 | 279,206 |
| Retained profits | 14,323,530 | 14,011,005 |
| Treasury shares for ESOS | (177,656) | (180,587) |
| Total Equity | 16,669,551 | 16,376,632 |
| Total Liabilities and Equity | 19,567,884 | 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 31 MARCH 2022

| | Individual Quarter | | Cumulative Quarter | |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|
| | Current | Last year | Current year | Last year |
| | quarter ended 31-03-2022 | quarter ended 31-03-2021 | to date 31-03-2022 | to date 31-03-2021 |
| THE COMPANY | RM '000 | RM '000 | RM '000 | RM '000 |
| Interest income | 27,308 | 27,293 | 83,149 | 83,329 |
| Interest expense | (30,643) | (33,994) | (96,934) | (108,138) |
| Net interest expense | (3,335) | (6,701) | (13,785) | (24,809) |
| Non-interest income | 242,627 | 200,267 | 827,869 | 599,853 |
| Net income | 239,292 | 193,566 | 814,084 | 575,044 |
| Overhead expenses | (3,980) | (16,522) | (18,202) | (30,860) |
| Writeback of impairment losses on other assets | 196 | 196 | 195 | 195 |
| Profit before taxation | 235,508 | 177,240 | 796,077 | 544,379 |
| Taxation | (261) | (133) | (191) | (426) |
| Net profit for the financial period | <u>235,247</u> | <u>177,107</u> | <u>795,886</u> | <u>543,953</u> |
| Earnings per share - basic (sen) | <u>20.7</u> | <u>15.6</u> | <u>69.9</u> | <u>47.8</u> |

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

| | Individual Quarter | | Cumulative Quarter | |
|---|-----------------------------|-----------------------------|-----------------------|-----------------------|
| | Current | Last year | Current year | Last year |
| | quarter ended 31-03-2022 | quarter ended 31-03-2021 | to date 31-03-2022 | to date 31-03-2021 |
| THE COMPANY | RM '000 | RM '000 | RM '000 | RM '000 |
| Net profit for the financial period | 235,247 | 177,107 | 795,886 | 543,953 |
| Other comprehensive income for the financial period | - | - | - | - |
| Total comprehensive income for the financial period, net of tax | <u>235,247</u> | <u>177,107</u> | <u>795,886</u> | <u>543,953</u> |

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

| 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 | - | - | - | - | - | - | - | 1,777,526 | - | 1,777,526 | 897,672 | 2,675,198 |
| Currency translation differences | - | - | - | - | - | - | 134,545 | - | - | 134,545 | 70,136 | 204,681 |
| Share of other comprehensive income of associated companies | - | - | (1,384) | - | - | - | - | - | - | (1,384) | 1,604 | 220 |
| Financial investments measured at fair value through other comprehensive income | | | | | | | | | | | | |
| - Debt instruments | | | | | | | | | | | | |
| - Net fair value changes | - | - | (414,713) | - | - | - | - | - | - | (414,713) | (215,763) | (630,476) |
| - Changes in expected credit losses | - | - | (267) | - | - | - | - | - | - | (267) | (140) | (407) |
| Net fair value changes in cash flow hedge | - | - | - | 5,219 | - | - | - | - | - | 5,219 | 2,744 | 7,963 |
| Total comprehensive (loss)/income | - | - | (416,364) | 5,219 | - | - | 134,545 | 1,777,526 | - | 1,500,926 | 756,253 | 2,257,179 |
| <u>Transaction with owners</u> | | | | | | | | | | | | |
| Transfer to regulatory reserve | - | 137,452 | - | - | - | - | - | (137,452) | - | - | - | - |
| Allocation of other reserves to non-controlling interests | - | - | - | - | - | - | - | (4,062) | - | (4,062) | 4,062 | - |
| Dividends paid | - | - | - | - | - | - | - | (502,967) | - | (502,967) | - | (502,967) |
| Non-controlling interests share of dividend | - | - | - | - | - | - | - | - | - | - | (401,835) | (401,835) |
| Non-controlling interests share of subsidiary's treasury shares | - | - | - | - | - | - | - | - | - | - | 5,340 | 5,340 |
| Options charge arising from executive share scheme | - | - | - | - | - | (22,738) | - | 19,667 | - | (3,071) | - | (3,071) |
| Exercise of executive share scheme | - | - | - | - | - | (14,992) | - | 9,445 | 2,931 | (2,616) | - | (2,616) |
| As at 31 March 2022 | 2,267,008 | 574,555 | (330,989) | 1,260 | 213,314 | 58,575 | 883,771 | 20,375,194 | (236,039) | 23,806,649 | 11,478,819 | 35,285,468 |

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

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

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM563,310,000 (31 March 2021: RM568,366,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2021: 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 31 MARCH 2022

| | 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 | - | - | - | - | 795,886 | 795,886 |
| Dividends paid | - | - | - | - | (502,967) | (502,967) |
| Options charge arising from executive share scheme | - | - | (19,667) | - | 19,667 | - |
| Exercise of executive share scheme | - | - | (2,870) | 2,931 | (61) | - |
| As at 31 March 2022 | 2,267,008 | 254,991 | 1,678 | (177,656) | 14,323,530 | 16,669,551 |
| As at 1 July 2020 | 2,267,008 | 254,991 | 16,951 | (180,587) | 13,888,423 | 16,246,786 |
| Net profit for the financial period | - | - | - | - | 543,953 | 543,953 |
| Dividends paid | - | - | - | - | (407,361) | (407,361) |
| Options charge arising from executive share scheme | - | - | 5,448 | - | - | 5,448 |
| As at 31 March 2021 | 2,267,008 | 254,991 | 22,399 | (180,587) | 14,025,015 | 16,388,826 |

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 31 MARCH 2022

| | The Group | | The Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31-03-2022 RM '000 | 31-03-2021 RM '000 | 31-03-2022 RM '000 | 31-03-2021 RM '000 |
| Profit before taxation | 3,505,755 | 3,018,069 | 796,077 | 544,379 |
| Adjustment for non-cash items | (1,326,425) | (252,501) | (806,392) | (564,179) |
| Operating profit/(loss) before working capital changes | 2,179,330 | 2,765,568 | (10,315) | (19,800) |
| Income tax paid | (753,475) | (128,702) | 9,847 | (88) |
| Interest received | 401 | 581 | 401 | 581 |
| Changes in working capital | | | | |
| Net changes in operating assets | (9,879,301) | (11,987,400) | (834) | 337,100 |
| Net changes in operating liabilities | 8,901,413 | 13,193,267 | (4,730) | 1,505 |
| Net cash generated from/(used in) operating activities | 448,368 | 3,843,314 | (5,631) | 319,298 |

Cash flows from investing activities

| | | | | |
|---|-------------|-------------|---------|---------|
| Net sales/(purchases) of financial investments at fair value through other comprehensive income | 6,098,043 | (7,365,034) | - | - |
| Net purchases of financial investments at amortised cost | (6,042,205) | (831,958) | - | - |
| Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost | 1,024,077 | 967,127 | - | - |
| Purchase of intangible assets | (27,677) | (13,910) | (1) | (116) |
| Purchase of property and equipment | (104,227) | (95,157) | (2,375) | (366) |
| Net proceeds from disposal of property and equipment | 350 | 9,554 | 160 | 248 |
| Dividends received from other investments | 57,068 | 48,225 | 193 | 1,120 |
| Dividends received from subsidiary companies | - | - | 820,911 | 506,075 |
| Dividends received from associated companies | 79,954 | 11,993 | - | - |
| Proceeds from disposal of shares in subsidiary | - | 127,892 | - | 127,892 |
| Interest received from investment in debt instrument issued by subsidiary company | - | - | - | - |
| - Interest on Multi-currency Additional Tier 1 capital securities | - | - | 29,168 | 29,229 |
| - Interest on subordinated obligations | - | - | 35,645 | 35,584 |
| Net cash generated/(used in) from investing activities | 1,085,383 | (7,141,268) | 883,701 | 699,666 |

Cash flows from financing activities

| | | | | |
|---|-----------|-------------|-----------|-------------|
| Dividends paid to equity holders of the Company | (502,967) | (407,361) | (502,967) | (407,361) |
| Dividends paid to non-controlling interests | (401,835) | (261,482) | - | - |
| Purchase of treasury shares | - | (136) | - | - |
| Cash received from executive share scheme exercised | 916 | 3,833 | - | - |
| Repayment of lease liabilities | (11,505) | (26,531) | (633) | (601) |
| Repayment of revolving credit | (25,000) | (80,000) | (25,000) | (80,000) |
| Repayment of commercial papers | (1,000) | (184,000) | (1,000) | (184,000) |
| Repayment of medium term notes | - | (220,000) | - | (250,000) |
| Repayment of senior notes | (175,000) | - | (200,000) | - |
| Repayment of term loans | (1,000) | (4,000) | (1,000) | (4,000) |
| Proceeds from subordinated obligations | - | 290,000 | - | - |
| Proceeds from recourse obligations on financing sold to Cagamas Berhad | 500,000 | - | - | - |
| Interest paid on Multi-currency Additional Tier 1 capital securities | (29,768) | (29,830) | (29,768) | (29,830) |
| Interest paid on subordinated obligations | (53,310) | (48,456) | (36,208) | (36,146) |
| Interest paid on borrowings | (16,298) | (29,783) | (16,768) | (30,473) |
| Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad | (94,190) | (41,368) | - | - |
| Interest paid on lease liabilities | (6,349) | (7,358) | (188) | (220) |
| Net cash used in financing activities | (817,306) | (1,046,472) | (813,532) | (1,022,631) |

| | | | | |
|--|------------------|------------------|---------------|---------------|
| Net increase/(decrease) in cash and cash equivalents | 716,445 | (4,344,426) | 64,538 | (3,667) |
| Effects of exchange rate changes | (56,243) | (32,393) | - | - |
| Cash and cash equivalents at 1 July | 9,193,042 | 12,338,216 | 10,674 | 15,870 |
| Cash and cash equivalents at 31 March | 9,853,244 | 7,961,397 | 75,212 | 12,203 |

Analysis of cash and cash equivalents

| | | | | |
|--|------------------|------------------|---------------|---------------|
| Cash and short-term funds | 9,882,823 | 9,219,848 | 75,152 | 12,143 |
| Deposits and placements with banks and other financial institutions | 2,913,503 | 8,645,670 | 3,360 | 3,360 |
| | 12,796,326 | 17,865,518 | 78,512 | 15,503 |
| Less: deposits and placements with banks and other financial institutions with original maturity of more than three months | (2,943,082) | (9,904,121) | (3,300) | (3,300) |
| | 9,853,244 | 7,961,397 | 75,212 | 12,203 |

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
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1. Basis of preparation

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

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

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

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

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

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

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

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

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

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6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial period ended 31 March 2022 other than as mentioned below.

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

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

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

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

During the financial period ended 31 March 2022, a total of 12,425,000 share options under ESOS has lapsed and a total of 156,404 grant shares were vested and transferred pursuant to the ESGS.

As at 31 March 2022, the total number of Treasury Shares for ESOS is 9,479,596 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM177,656,388.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 March 2022 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESOS at the Group level.

7. Dividends paid

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

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

8. Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
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8. Segmental reporting (continued)

| The Group | Commercial | Investment | | Other | Eliminations/ | |
|---|-------------------|-------------------|------------------|-------------------|----------------------|-------------------------|
| 31 March 2022 | banking | banking | Insurance | operations | consolidation | Consolidated |
| | RM '000 | RM '000 | RM '000 | RM '000 | adjustments | RM '000 |
| | | | | | RM '000 | RM '000 |
| Revenue | | | | | | |
| External revenue | 4,084,519 | 176,625 | 367,603 | (22,595) | - | 4,606,152 |
| Inter-segment revenue | 14,494 | 103 | 1,008 | 824,287 | (839,892) | - |
| Segment revenue | <u>4,099,013</u> | <u>176,728</u> | <u>368,611</u> | <u>801,692</u> | <u>(839,892)</u> | <u>4,606,152</u> |
| Results | | | | | | |
| Segment results | 2,427,778 | 84,728 | 244,285 | 796,075 | (829,323) | 2,723,543 |
| Share of results of associated companies | | | | | | <u>782,212</u> |
| Profit before taxation | | | | | | 3,505,755 |
| Taxation | | | | | | <u>(830,557)</u> |
| Net profit for the financial period | | | | | | 2,675,198 |
| Non-controlling interests | | | | | | <u>(897,672)</u> |
| Profit attributable to owners of the parent | | | | | | <u><u>1,777,526</u></u> |
| Other information | | | | | | |
| Segment assets | 251,881,706 | 4,563,721 | 27,531,263 | 19,567,921 | (18,886,860) | <u>284,657,751</u> |
| Segment liabilities | 221,520,776 | 3,622,020 | 23,638,531 | 2,899,978 | (2,309,022) | <u>249,372,283</u> |

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8. Segmental reporting (continued)

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

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9. Financial assets at fair value through profit or loss

| | The Group | |
|---|--------------------------------|--------------------------------|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Money market instruments: | | |
| Government treasury bills | 1,579,221 | 392,473 |
| Malaysian Government securities | 5,240,516 | 3,948,459 |
| Malaysian Government investment certificates | 1,765,065 | 2,058,036 |
| Negotiable instruments of deposit | 1,500,050 | 1,749,337 |
| Khazanah bonds | 13,938 | - |
| Cagamas bonds | 202,183 | 233,282 |
| Other Government securities | 5,953,710 | 5,572,222 |
| | <u>16,254,683</u> | <u>13,953,809</u> |
| Quoted securities: | | |
| Shares in Malaysia | 5,196,068 | 4,676,764 |
| Shares outside Malaysia | 541,792 | 722,057 |
| Wholesale fund/unit trust investments | 736,970 | 562,405 |
| Foreign currency bonds in Malaysia | 221,019 | - |
| Foreign currency bonds outside Malaysia | 52,112 | 29,755 |
| Convertible bonds outside Malaysia | 871,609 | - |
| Investment-linked funds | 305 | 312 |
| Loan stocks | 1,278 | 1,186 |
| Warrants in Malaysia | 2,370 | 1,763 |
| | <u>7,623,523</u> | <u>5,994,242</u> |
| Unquoted securities: | | |
| Shares in Malaysia | 374,729 | 374,729 |
| Foreign currency bonds outside Malaysia | 161,740 | 283,724 |
| Government sukuk | - | 81,315 |
| Corporate bonds and sukuk | 7,839,795 | 7,219,388 |
| Perpetual bonds | 87,883 | 107,006 |
| Redeemable preference shares | 25,000 | 25,000 |
| | <u>8,489,147</u> | <u>8,091,162</u> |
| Total financial assets at fair value through profit or loss | <u>32,367,353</u> | <u>28,039,213</u> |

10. Financial investments at fair value through other comprehensive income

| | Note | The Group | |
|--|------|--------------------------------|--------------------------------|
| | | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| At fair value | | | |
| Debt instruments | (a) | 29,105,519 | 35,731,964 |
| Equity instruments | (b) | 69,100 | 69,094 |
| | | <u>29,174,619</u> | <u>35,801,058</u> |
| (a) Debt instruments | | | |
| Money market instruments: | | | |
| Government treasury bills | | 62,108 | 917,859 |
| Malaysian Government securities | | 3,851,517 | 4,232,082 |
| Malaysian Government investment certificates | | 9,414,317 | 12,525,973 |
| Negotiable instruments of deposit | | 2,489,076 | 800,392 |
| Other Government securities | | 31,067 | 87,514 |
| Khazanah bonds | | 450,883 | 469,874 |
| Cagamas bonds | | 974,490 | 1,587,332 |
| | | <u>17,273,458</u> | <u>20,621,026</u> |

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

| | The Group | |
|---|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| (a) Debt instruments (continued) | | |
| Quoted securities: | | |
| Government sukuk | 818,852 | 903,959 |
| Foreign currency bonds in Malaysia | 1,372,605 | 2,248,808 |
| Foreign currency bonds outside Malaysia | 865,437 | 1,505,360 |
| | <u>3,056,894</u> | <u>4,658,127</u> |
| Unquoted securities: | | |
| Government sukuk | 417,425 | 495,244 |
| Corporate bonds and sukuk | 7,832,120 | 9,338,672 |
| Foreign currency bonds in Malaysia | 168,479 | 270,932 |
| Foreign currency bonds outside Malaysia | 357,143 | 347,963 |
| | <u>8,775,167</u> | <u>10,452,811</u> |
| | <u>29,105,519</u> | <u>35,731,964</u> |
| (b) Equity instruments | | |
| Unquoted securities: | | |
| Shares in Malaysia | 69,100 | 69,094 |

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

| | Stage 1 | Stage 2 | Stage 3 | Total ECL RM '000 |
|--|--------------------------------------|---|---|------------------------------|
| | 12 months ECL RM '000 | Lifetime ECL not credit impaired RM '000 | Lifetime ECL credit impaired RM '000 | |
| The Group | | | | |
| 31 March 2022 | | | | |
| As at 1 July | 2,741 | - | 16,647 | 19,388 |
| New financial assets originated or purchased | 432 | - | - | 432 |
| Financial assets derecognised | (722) | - | - | (722) |
| Changes due to change in credit risk | (134) | - | - | (134) |
| Exchange differences | 13 | - | 159 | 172 |
| As at 31 March | <u>2,330</u> | <u>-</u> | <u>16,806</u> | <u>19,136</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> |

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11. Financial investments at amortised cost

| | The Group | |
|---|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Money market instruments: | | |
| Government treasury bills | 55,512 | - |
| Malaysian Government securities | 5,006,645 | 4,267,888 |
| Malaysian Government investment certificates | 20,261,655 | 14,622,877 |
| Cagamas bonds | 200,136 | - |
| Khazanah bonds | 19,833 | 19,234 |
| Other Government securities | 607,877 | 505,500 |
| | <u>26,151,658</u> | <u>19,415,499</u> |
| Quoted securities: | | |
| Foreign currency bonds in Malaysia | - | 816,599 |
| Foreign currency bonds outside Malaysia | 60,651 | 65,232 |
| | <u>60,651</u> | <u>881,831</u> |
| Unquoted securities: | | |
| Government sukuk | 2,559,328 | 2,580,570 |
| Corporate bonds and sukuk | 1,964,814 | 1,799,734 |
| Foreign currency bonds outside Malaysia | - | 16,639 |
| | <u>4,524,142</u> | <u>4,396,943</u> |
| Less: Expected credit losses | (53) | (80) |
| Total financial investments at amortised cost | <u>30,736,398</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 | | | | |
| 31 March 2022 | | | | |
| As at 1 July | 80 | - | - | 80 |
| New financial assets originated or purchased | 53 | - | - | 53 |
| Financial assets derecognised | (78) | - | - | (78) |
| Exchange differences | (2) | - | - | (2) |
| As at 31 March | <u>53</u> | <u>-</u> | <u>-</u> | <u>53</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 31 MARCH 2022

12. Loans, advances and financing

| | The Group | |
|--|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Overdrafts | 3,319,040 | 3,371,190 |
| Term loans/financing: | | |
| - Housing and shop loans/financing | 89,648,144 | 86,120,721 |
| - Hire purchase receivables | 17,531,580 | 17,107,240 |
| - Ijarah receivables | 244,423 | 160,651 |
| - Other term loans/financing and syndicated term loans | 30,764,886 | 28,370,072 |
| Credit/charge card receivables | 2,949,816 | 2,830,912 |
| Bills receivable | 1,272,615 | 1,112,257 |
| Trust receipts | 501,856 | 533,845 |
| Policy and premium loans | 307,733 | 372,291 |
| Claims on customers under acceptance credits | 8,306,630 | 8,064,076 |
| Revolving credits | 8,226,395 | 8,347,977 |
| Staff loans/financing | 129,522 | 139,345 |
| Other loans/financing | 126 | 265 |
| Gross loans, advances and financing | <u>163,202,766</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 | 4,935 | 17,665 |
| Allowance for impairment losses: | | |
| - Expected credit losses | (1,697,869) | (1,769,750) |
| Total net loans, advances and financing | <u>161,509,832</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 RM1,436,270,000 (30 June 2021: RM1,019,858,000).

(a) By type of customers

| | The Group | |
|--|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Domestic non-bank financial institutions | 1,677,774 | 1,718,527 |
| Domestic business enterprises: | | |
| - Small and medium enterprises | 28,356,789 | 26,079,862 |
| - Others | 23,474,467 | 22,832,734 |
| Government and statutory bodies | 6,068 | 1,664 |
| Individuals | 106,340,333 | 102,338,129 |
| Other domestic entities | 85,651 | 625,649 |
| Foreign entities | 3,261,684 | 2,934,277 |
| Gross loans, advances and financing | <u>163,202,766</u> | <u>156,530,842</u> |

(b) By interest/profit rate sensitivity

| | The Group | |
|-------------------------------------|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Fixed rate | | |
| - Housing and shop loans/financing | 1,425,634 | 1,499,285 |
| - Hire purchase receivables | 17,440,357 | 16,982,798 |
| - Other fixed rate loans/financing | 9,581,237 | 9,011,742 |
| Variable rate | | |
| - Base rate/base lending rate plus | 112,709,440 | 107,668,954 |
| - Cost plus | 21,910,827 | 21,278,916 |
| - Other variable rates | 135,271 | 89,147 |
| Gross loans, advances and financing | <u>163,202,766</u> | <u>156,530,842</u> |

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

12. Loans, advances and financing (continued)

(c) By economic purposes

| | The Group | |
|--|--------------------|--------------------|
| | As at | As at |
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| Purchase of securities | 1,339,487 | 1,252,939 |
| Purchase of transport vehicles | 17,149,820 | 16,769,062 |
| Purchase of landed properties | | |
| - Residential | 80,826,467 | 77,191,630 |
| - Non-residential | 19,469,072 | 18,524,366 |
| Purchase of fixed assets (excluding landed properties) | 1,387,780 | 1,431,572 |
| Personal use | 3,693,363 | 3,441,092 |
| Credit card | 2,949,816 | 2,830,912 |
| Construction | 3,289,028 | 2,823,397 |
| Working capital | 31,088,689 | 30,292,454 |
| Other purposes | 2,009,244 | 1,973,418 |
| Gross loans, advances and financing | <u>163,202,766</u> | <u>156,530,842</u> |

(d) By geographical distribution

| | The Group | |
|-------------------------------------|--------------------|--------------------|
| | As at | As at |
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| Malaysia | 152,714,138 | 147,295,958 |
| Singapore | 6,801,698 | 6,186,948 |
| Hong Kong | 14,421 | 538 |
| Vietnam | 1,425,291 | 1,186,775 |
| Cambodia | 2,247,218 | 1,860,623 |
| Gross loans, advances and financing | <u>163,202,766</u> | <u>156,530,842</u> |

(e) By residual contractual maturity

| | The Group | |
|-------------------------------------|--------------------|--------------------|
| | As at | As at |
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| Within one year | 28,813,584 | 28,344,629 |
| One year to less than three years | 6,806,731 | 5,351,697 |
| Three years to less than five years | 11,514,582 | 12,369,513 |
| Five years and more | 116,067,869 | 110,465,003 |
| Gross loans, advances and financing | <u>163,202,766</u> | <u>156,530,842</u> |

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

| | The Group | |
|--|-------------------|-------------------|
| | As at | As at |
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| As at 1 July | 717,672 | 896,276 |
| Classified as impaired during the financial period/year | 988,410 | 1,095,845 |
| Reclassified as non-impaired during the financial period/year | (417,061) | (700,744) |
| Amount written back in respect of recoveries | (149,093) | (252,898) |
| Amount written off | (362,374) | (320,659) |
| Exchange differences | 1,798 | (148) |
| As at end of the financial period/year | <u>779,352</u> | <u>717,672</u> |
| Gross impaired loans, advances and financing as a % of gross loans, advances and financing | <u>0.5%</u> | <u>0.5%</u> |

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12. Loans, advances and financing (continued)

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

| | The Group | |
|--|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Purchase of securities | 241 | 304 |
| Purchase of transport vehicles | 41,418 | 71,797 |
| Purchase of landed properties | | |
| - Residential | 326,324 | 267,046 |
| - Non-residential | 143,884 | 124,748 |
| Purchase of fixed assets (excluding landed properties) | 524 | 600 |
| Personal use | 38,235 | 44,705 |
| Credit card | 18,770 | 21,096 |
| Construction | 16,501 | 7,976 |
| Working capital | 160,493 | 147,669 |
| Other purposes | 32,962 | 31,731 |
| Gross impaired loans, advances and financing | <u>779,352</u> | <u>717,672</u> |

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

| | The Group | |
|--|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Malaysia | 767,682 | 706,957 |
| Singapore | 417 | 5,866 |
| Vietnam | 1,542 | 1,580 |
| Cambodia | 9,711 | 3,269 |
| Gross impaired loans, advances and financing | <u>779,352</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 31 March 2022 | | | | |
| As at 1 July | 1,075,247 | 459,868 | 234,635 | 1,769,750 |
| Changes in ECL due to transfer within stages | (40,880) | (213,440) | 254,320 | - |
| Transfer to Stage 1 | 24,301 | (24,154) | (147) | - |
| Transfer to Stage 2 | (63,282) | 107,558 | (44,276) | - |
| Transfer to Stage 3 | (1,899) | (296,844) | 298,743 | - |
| New financial assets originated | 31,017 | 192 | 296 | 31,505 |
| Financial assets derecognised | (11,962) | (17,731) | (10,603) | (40,296) |
| Changes due to change in credit risk | (28,317) | 180,905 | 149,474 | 302,062 |
| Amount written off | - | - | (363,802) | (363,802) |
| Exchange differences | 267 | 200 | 922 | 1,389 |
| Other movements | - | - | (2,739) | (2,739) |
| As at 31 March | <u>1,025,372</u> | <u>409,994</u> | <u>262,503</u> | <u>1,697,869</u> |

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12. Loans, advances and financing (continued)

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

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

13. Other receivables

| | The Group | |
|---|--------------------------------|--------------------------------|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Foreclosed properties | 46 | 5,508 |
| Sundry debtors and other prepayments | 239,154 | 495,809 |
| Settlement accounts | 549,284 | 387,625 |
| Treasury related receivables | 1,203,035 | 806,250 |
| Cash collateral pledged for derivative transactions | 690,705 | 306,536 |
| Fee income receivables | 5,595 | 3,261 |
| Portfolio Investment Account* | 6,813 | - |
| Other receivables | 173,584 | 114,241 |
| | 2,868,216 | 2,119,230 |

*Note:

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

| | The Company | |
|--------------------------------------|--------------------------------|--------------------------------|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Amount due from subsidiary companies | 207 | 10 |
| Sundry debtors and other prepayments | 2,558 | 1,962 |
| | 2,765 | 1,972 |

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14. Deposits from customers

(a) By type of deposits

| | The Group | |
|---|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| At amortised cost | | |
| Fixed deposits | 92,924,378 | 91,630,006 |
| Negotiable instruments of deposits | 9,080,251 | 7,276,126 |
| Short-term placements | 22,881,302 | 21,803,680 |
| | <u>124,885,931</u> | <u>120,709,812</u> |
| Demand deposits | 38,262,112 | 35,279,818 |
| Savings deposits | 24,603,813 | 23,857,612 |
| Others | 442,802 | 563,080 |
| | <u>188,194,658</u> | <u>180,410,322</u> |
| At fair value through profit or loss | | |
| Structured deposits linked to interest rate derivatives | 2,075,956 | 1,469,078 |
| Fair value changes arising from designation at fair value through profit or loss* | (255,084) | (110,580) |
| | <u>1,820,872</u> | <u>1,358,498</u> |
| | <u>190,015,530</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 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Government and statutory bodies | 2,089,807 | 2,392,705 |
| Business enterprises | 85,988,687 | 83,003,914 |
| Individuals | 99,608,590 | 93,792,061 |
| Others | 2,328,446 | 2,580,140 |
| | <u>190,015,530</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 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Due within six months | 101,023,042 | 97,955,437 |
| More than six months to one year | 20,433,911 | 20,881,750 |
| More than one year to five years | 2,661,846 | 1,251,960 |
| More than five years | 767,132 | 620,665 |
| | <u>124,885,931</u> | <u>120,709,812</u> |

15. Investment accounts of customers

| | The Group | |
|--|---|---|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Unrestricted investment accounts - Mudarabah with maturity | 2,611,494 | 1,145,154 |
| Restricted investment accounts - Wakalah bi Al-Istithmar | 6,813 | - |
| | <u>2,618,307</u> | <u>1,145,154</u> |

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

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16. Deposits and placements of banks and other financial institutions

| | The Group | |
|------------------------------|-------------------|-------------------|
| | As at | As at |
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| Licensed banks | 8,343,506 | 9,937,337 |
| Licensed investment banks | 102,505 | 351,028 |
| Central banks* | 1,557,487 | 1,382,520 |
| Other financial institutions | 1,757,837 | 2,508,576 |
| | <u>11,761,335</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 RM1,557,135,000 (30 June 2021: RM1,317,291,000) at concession rates.

17. Payables and other liabilities

| | Note | The Group | |
|---|------|-------------------|-------------------|
| | | As at | As at |
| | | 31-03-2022 | 30-06-2021 |
| | | RM '000 | RM '000 |
| Trade payables | | 4,038,379 | 3,765,476 |
| Post employment benefits obligation - defined contribution plan | | 1,921 | 1,889 |
| Loan advance payment | | 3,825,853 | 3,795,992 |
| Treasury and cheque clearing | | 151,724 | 162,604 |
| Cash collateral pledged for derivative transactions | | 172,097 | 145,411 |
| Sundry creditors and accruals | | 313,923 | 375,011 |
| Provision for reinstatement cost | | 22,654 | 23,394 |
| Provision for bonus and staff related expenses | | 177,496 | 259,458 |
| Expected credit losses on financial guarantee contracts | (a) | 6,752 | 4,563 |
| Financial liabilities due to third party investors | (b) | 1,847,748 | 7,303,953 |
| Settlement accounts | | 649,587 | 525,131 |
| Others | | 660,786 | 505,259 |
| | | <u>11,868,920</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 | Lifetime ECL | Lifetime ECL | |
| | ECL | not credit | credit | |
| 31 March 2022 | RM '000 | impaired | impaired | RM '000 |
| As at 1 July | 3,378 | 1,185 | - | 4,563 |
| Changes in ECL due to transfer within stages | (44) | 44 | - | - |
| Transfer to Stage 1 | 4 | (4) | - | - |
| Transfer to Stage 2 | (48) | 48 | - | - |
| Transfer to Stage 3 | - | - | - | - |
| New financial assets originated | 47 | - | - | 47 |
| Financial assets derecognised | (1) | (3) | - | (4) |
| Changes due to change in credit risk | 2,268 | (118) | - | 2,150 |
| Exchange differences | (8) | 4 | - | (4) |
| As at 31 March | <u>5,640</u> | <u>1,112</u> | <u>-</u> | <u>6,752</u> |

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17. Payables and other liabilities (continued)

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

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

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

| | The Company | |
|---|--------------------------------|--------------------------------|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 |
| Post employment benefits obligation - defined contribution plan | 40 | 40 |
| Sundry creditors and accruals | 1,693 | 1,713 |
| Provision for reinstatement cost | 260 | 250 |
| Provision for bonus and staff related expenses | 10,193 | 15,217 |
| | 12,313 | 17,220 |

18. Interest income

| | The Group | | The Group | |
|--|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Loans, advances and financing* | 1,028,222 | 1,015,523 | 3,068,857 | 3,094,500 |
| Money at call and deposit placements with financial institutions | 33,604 | 53,904 | 109,118 | 135,897 |
| Financial investments at fair value through other comprehensive income | 175,289 | 179,543 | 554,172 | 560,698 |
| Financial investments at amortised cost | 165,339 | 124,006 | 469,905 | 406,429 |
| Others | 4,594 | 4,059 | 13,236 | 12,837 |
| | 1,407,051 | 1,377,035 | 4,215,291 | 4,210,361 |
| Of which: | | | | |
| Interest income earned on impaired loans, advances and financing | 8,285 | 7,638 | 21,239 | 18,410 |

*Note:

Included the net loss effects of RM27,273,000 (31 March 2021: RM2,277,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

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18. Interest income (continued)

| | The Company | | The Company | |
|--|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Money at call and deposit placements with financial institutions | 128 | 113 | 401 | 581 |
| Subordinated obligations | 17,465 | 17,465 | 53,171 | 53,171 |
| Multi-currency Additional Tier 1 capital securities | 9,715 | 9,715 | 29,577 | 29,577 |
| | <u>27,308</u> | <u>27,293</u> | <u>83,149</u> | <u>83,329</u> |

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

| | The Group | | The Group | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Financial assets at fair value through profit or loss | <u>69,935</u> | <u>50,272</u> | <u>200,814</u> | <u>152,683</u> |

20. Interest expense

| | The Group | | The Group | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Deposits and placements of banks and other financial institutions | 17,435 | 17,864 | 54,384 | 61,210 |
| Deposits from customers | 399,087 | 404,687 | 1,189,427 | 1,370,051 |
| Short-term placements | 44,582 | 41,892 | 111,750 | 145,387 |
| Borrowings | 2,681 | 6,013 | 11,797 | 22,959 |
| Subordinated obligations | 23,417 | 23,906 | 70,937 | 66,202 |
| Recourse obligations on loans sold to Cagamas Berhad | 3,940 | 2,575 | 11,465 | 7,838 |
| Multi-currency Additional Tier 1 capital securities | 9,901 | 9,900 | 30,142 | 30,142 |
| Others | 7,555 | 12,175 | 29,382 | 38,363 |
| | <u>508,598</u> | <u>519,012</u> | <u>1,509,284</u> | <u>1,742,152</u> |

| | The Company | | The Company | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Borrowings | 2,695 | 6,032 | 11,845 | 23,015 |
| Subordinated obligations | 17,869 | 17,869 | 54,400 | 54,400 |
| Multi-currency Additional Tier 1 capital securities | 10,011 | 10,011 | 30,476 | 30,476 |
| Others | 68 | 82 | 213 | 247 |
| | <u>30,643</u> | <u>33,994</u> | <u>96,934</u> | <u>108,138</u> |

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21. Income from Islamic banking business

| | The Group | | The Group | |
|---|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Income derived from investment of depositors' funds and others* | 339,001 | 352,847 | 1,029,817 | 1,056,347 |
| Income derived from investment of shareholders' funds* | 38,651 | 41,160 | 124,963 | 141,206 |
| Income derived from investment of investment accounts | 31,678 | 8,399 | 55,836 | 20,727 |
| Income attributable to depositors | (175,110) | (163,436) | (520,967) | (520,352) |
| Income attributable to depositors on investment accounts | (9,823) | (4,363) | (24,167) | (10,513) |
| | <u>224,397</u> | <u>234,607</u> | <u>665,482</u> | <u>687,415</u> |
| Of which: | | | | |
| Financing income earned on impaired financing and advances | 1,577 | 2,991 | 3,443 | 4,724 |

*Note:

Included the net loss effects of RM17,801,000 (31 March 2021: RM5,538,000) attributable to the various government support measures to provide assistance to borrowers and customers to sustain their business operations in response to COVID-19.

22. Non-interest income

| | The Group | | The Group | |
|--|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Net income from insurance business | 77,103 | 109,393 | 250,107 | 247,842 |
| Net brokerage and commissions from stockbroking business | 17,244 | 33,314 | 55,384 | 110,755 |
| Net unit trust and asset management income | 13,413 | 14,571 | 46,130 | 41,528 |
| Fee income: | | | | |
| Commissions | 41,231 | 55,195 | 138,888 | 138,220 |
| Service charges and fees | 12,063 | 9,712 | 29,207 | 31,497 |
| Guarantee fees | 4,444 | 4,097 | 12,397 | 12,595 |
| Credit card related fees | 47,783 | 42,479 | 143,367 | 132,901 |
| Corporate advisory fees | 1,900 | 2,888 | 4,975 | 5,719 |
| Commitment fees | 9,223 | 9,086 | 27,288 | 27,827 |
| Fee on loans, advances and financing | 13,468 | 10,620 | 39,129 | 34,209 |
| Placement fees | 665 | 8,096 | 4,028 | 13,354 |
| Arranger fees | 710 | 1,162 | 1,473 | 3,033 |
| Other fee income | 64,444 | 28,822 | 159,772 | 112,911 |
| | <u>195,931</u> | <u>172,157</u> | <u>560,524</u> | <u>512,266</u> |
| Net realised (loss)/gain from sale of: | | | | |
| Financial assets at fair value through profit or loss | (3,252) | (31,281) | (27,573) | 44,226 |
| Financial investments at fair value through other comprehensive income | 6,919 | 45,976 | 102,487 | 237,459 |
| Financial investments at amortised cost | - | 29,385 | - | 29,385 |
| Derivative financial instruments | (332) | (23,424) | 4,523 | (127,140) |
| | <u>3,335</u> | <u>20,656</u> | <u>79,437</u> | <u>183,930</u> |
| Gross dividend income from: | | | | |
| Financial assets at fair value through profit or loss | 17,385 | 16,420 | 57,068 | 47,850 |
| Financial investments at fair value through other comprehensive income | - | - | - | 375 |
| | <u>17,385</u> | <u>16,420</u> | <u>57,068</u> | <u>48,225</u> |
| Net unrealised (loss)/gain on revaluation of: | | | | |
| Financial assets at fair value through profit or loss | (45,061) | (35,116) | (61,815) | (21,227) |
| Derivative financial instruments | 112,158 | 124,409 | 184,750 | 224,303 |
| | <u>67,097</u> | <u>89,293</u> | <u>122,935</u> | <u>203,076</u> |

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22. Non-interest income (continued)

| | The Group | | The Group | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges | (1,678) | (1,787) | (5,480) | (4,195) |
| Net unrealised loss on fair value changes arising from fair value hedges | (102) | (1,027) | (750) | (3,237) |
| Other income: | | | | |
| Foreign exchange (loss)/gain | (89,305) | (28,237) | (148,411) | 31,266 |
| Rental income | 4,133 | 2,428 | 6,535 | 6,211 |
| Net gain on disposal of property and equipment | 169 | 5,307 | 328 | 5,602 |
| Other non-operating income | 5,044 | 4,270 | 10,042 | 6,261 |
| | (79,959) | (16,232) | (131,506) | 49,340 |
| Total non-interest income | 309,769 | 436,758 | 1,033,849 | 1,389,530 |

| | The Company | | The Company | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Fee income: | | | | |
| Management fees | 964 | 2,138 | 5,756 | 4,051 |
| Net realised loss from sale of: | | | | |
| Financial assets at fair value through profit or loss | - | (1) | (38) | (1) |
| Gross dividend income from: | | | | |
| Financial assets at fair value through profit or loss | - | - | 193 | 1,120 |
| Subsidiary companies | 241,225 | 198,072 | 820,911 | 506,075 |
| Other income: | | | | |
| Gain from disposal of shares in subsidiary | - | - | - | 88,122 |
| Other non-operating income | 438 | 58 | 1,047 | 486 |
| Total non-interest income | 242,627 | 200,267 | 827,869 | 599,853 |

23. Overhead expenses

| | The Group | | The Group | |
|--|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| <u>Personnel costs</u> | | | | |
| - Salaries, bonus and allowances | 312,031 | 313,188 | 925,973 | 934,156 |
| - Medical expenses | 8,583 | 9,584 | 24,084 | 24,861 |
| - Training and convention expenses | 3,209 | 2,653 | 7,461 | 6,147 |
| - Staff welfare | 3,510 | 3,218 | 10,123 | 9,066 |
| - Others | 1,392 | 13,994 | 10,211 | 83,046 |
| | 328,725 | 342,637 | 977,852 | 1,057,276 |
| <u>Establishment costs</u> | | | | |
| - Depreciation of property and equipment | 32,464 | 33,380 | 98,044 | 101,148 |
| - Depreciation of right-of-use assets | 12,213 | 13,817 | 37,706 | 40,604 |
| - Amortisation of intangible assets | 14,993 | 15,916 | 43,617 | 46,513 |
| - Rental of premises | 692 | 1,120 | 1,852 | 2,679 |
| - Information technology expenses | 54,896 | 52,838 | 169,091 | 147,430 |
| - Security services | 4,600 | 5,010 | 16,189 | 16,559 |
| - Electricity, water and sewerage | 4,999 | 4,939 | 16,255 | 16,073 |
| - Hire of plant and machinery | 2,806 | 3,417 | 9,358 | 10,399 |
| - Others | 8,320 | 7,751 | 25,032 | 21,896 |
| | 135,983 | 138,188 | 417,144 | 403,301 |

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23. Overhead expenses (continued)

| | The Group | | The Group | |
|---|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| <u>Marketing expenses</u> | | | | |
| - Advertisement and publicity | 7,966 | 8,837 | 20,269 | 19,940 |
| - Sales commission and credit card related fees | 36,193 | 29,286 | 90,380 | 81,226 |
| - Others | 14,445 | 11,824 | 34,428 | 37,314 |
| | <u>58,604</u> | <u>49,947</u> | <u>145,077</u> | <u>138,480</u> |
| <u>Administration and general expenses</u> | | | | |
| - Teletransmission expenses | 5,759 | 5,817 | 17,410 | 17,814 |
| - Stationery and printing expenses | 2,866 | 3,330 | 8,863 | 10,248 |
| - Professional fees | 18,029 | 16,215 | 63,401 | 61,151 |
| - Insurance fees | 11,211 | 6,944 | 23,914 | 19,355 |
| - Stamp, postage and courier | 3,992 | 4,366 | 10,572 | 11,443 |
| - Credit card fees | 9,949 | 11,850 | 31,780 | 24,821 |
| - Travelling and transport expenses | 532 | 714 | 1,866 | 2,403 |
| - Registration and license fees | 2,484 | 2,587 | 7,591 | 7,551 |
| - Brokerage and commission | 3,026 | 2,635 | 8,927 | 6,997 |
| - Others | 8,432 | 12,859 | 35,793 | 34,049 |
| | <u>66,280</u> | <u>67,317</u> | <u>210,117</u> | <u>195,832</u> |
| | <u>589,592</u> | <u>598,089</u> | <u>1,750,190</u> | <u>1,794,889</u> |
| | | | | |
| | The Company | | The Company | |
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| <u>Personnel costs</u> | | | | |
| - Salaries, bonus and allowances | 1,804 | 12,727 | 12,303 | 19,441 |
| - Medical expenses | 10 | 22 | 13 | 98 |
| - Training and convention expenses | - | 9 | 3 | 8 |
| - Staff welfare | 190 | 144 | 453 | 436 |
| - Others | 347 | 2,137 | 856 | 6,345 |
| | <u>2,351</u> | <u>15,039</u> | <u>13,628</u> | <u>26,328</u> |
| <u>Establishment costs</u> | | | | |
| - Depreciation of property and equipment | 246 | 195 | 510 | 524 |
| - Depreciation of right-of-use assets | 235 | 235 | 705 | 705 |
| - Amortisation of intangible assets | 9 | - | 29 | 1 |
| - Information technology expenses | 36 | 31 | 90 | 98 |
| - Electricity, water and sewerage | 12 | 7 | 25 | 24 |
| - Others | 54 | 35 | 135 | 186 |
| | <u>592</u> | <u>503</u> | <u>1,494</u> | <u>1,538</u> |
| <u>Administration and general expenses</u> | | | | |
| - Teletransmission expenses | 4 | 5 | 17 | 23 |
| - Stationery and printing expenses | 6 | 7 | 10 | 20 |
| - Professional fees | 267 | 296 | 922 | 975 |
| - Management fees | 641 | 533 | 1,808 | 1,598 |
| - Travelling and transport expenses | 1 | 1 | 1 | 1 |
| - Others | 118 | 138 | 322 | 377 |
| | <u>1,037</u> | <u>980</u> | <u>3,080</u> | <u>2,994</u> |
| | <u>3,980</u> | <u>16,522</u> | <u>18,202</u> | <u>30,860</u> |

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

| | The Group | | The Group | |
|--|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Allowance for/(writeback of) impairment losses on: | | | | |
| - Loans, advances and financing | 103,036 | 169,714 | 295,463 | 595,319 |
| - Clients' and brokers' balances | (91) | (41) | (229) | (929) |
| Impaired loans, advances and financing: | | | | |
| - Written off | 5,909 | 3,907 | 14,238 | 12,433 |
| - Recovered from bad debt written off | (57,668) | (59,469) | (176,567) | (151,023) |
| | <u>51,187</u> | <u>114,111</u> | <u>132,906</u> | <u>455,800</u> |

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

| | The Group | | The Group | |
|--|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Expected credit losses on: | | | | |
| - Financial investments at fair value through other comprehensive income | (55) | (46) | (424) | (83) |
| - Financial investments at amortised cost | 43 | (100) | (25) | (99) |
| - Other receivables | 4 | 324 | (8) | 369 |
| - Cash and short-term funds | 61 | - | (50) | (54) |
| - Deposits and placements with banks and other financial institutions | 77 | (23) | 20 | 335 |
| | <u>130</u> | <u>155</u> | <u>(487)</u> | <u>468</u> |

| | The Company | | The Company | |
|---|--|--|---|--|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Expected credit losses on: | | | | |
| - Investment in debt instruments issued by subsidiary | (196) | (196) | (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.

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26. Capital adequacy (continued)

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

| | Hong Leong Financial Group | | Hong Leong Bank Group | | Hong Leong Bank Berhad | | Hong Leong Investment Bank Berhad | |
|--|-------------------------------|------------|--------------------------|------------|---------------------------|------------|--------------------------------------|------------|
| | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 |
| Before deducting proposed dividends | | | | | | | | |
| CET 1 capital ratio | 11.086% | 11.866% | 12.737% | 14.030% | 13.001% | 13.911% | 32.451% | 50.575% |
| Tier 1 capital ratio | 12.006% | 12.801% | 13.260% | 14.561% | 13.331% | 14.245% | 32.451% | 50.575% |
| Total capital ratio | 14.875% | 15.697% | 15.375% | 16.703% | 15.361% | 16.301% | 42.969% | 61.409% |
| After deducting proposed dividends | | | | | | | | |
| CET 1 capital ratio | 11.086% | 11.643% | 12.737% | 13.552% | 13.001% | 13.307% | 32.451% | 34.419% |
| Tier 1 capital ratio | 12.006% | 12.578% | 13.260% | 14.083% | 13.331% | 13.642% | 32.451% | 34.419% |
| Total capital ratio | 14.875% | 15.474% | 15.375% | 16.224% | 15.361% | 15.697% | 42.969% | 45.253% |

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

| | Hong Leong Financial Group | | Hong Leong Bank Group | | Hong Leong Bank Berhad | | Hong Leong Investment Bank Berhad | |
|---|-------------------------------|-----------------------|--------------------------|-----------------------|---------------------------|-----------------------|--------------------------------------|-----------------------|
| | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 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 | 19,280,595 | 19,213,037 | 20,623,421 | 20,751,376 | 13,939,987 | 14,139,555 | 232,626 | 389,376 |
| Other reserves | 835,916 | 1,108,509 | 870,143 | 1,217,660 | (89,971) | 366,088 | (14,885) | 1,514 |
| Qualifying non-controlling interests | 6,882,695 | 6,410,633 | - | - | - | - | - | - |
| Less: Treasury shares | (236,039) | (238,970) | (713,690) | (719,030) | (713,690) | (719,030) | - | - |
| Less: Other intangible assets | (301,786) | (245,593) | (296,917) | (242,317) | (268,000) | (218,277) | - | - |
| Less: Goodwill | (2,346,287) | (2,346,287) | (1,831,312) | (1,831,312) | (1,771,547) | (1,771,547) | (33,502) | (31,745) |
| Less: Deferred tax assets | - | - | (422,960) | (275,670) | (311,662) | (183,513) | (112,551) | (121,199) |
| Less: Investment in subsidiary companies/ associated companies | (9,615,648) | (8,491,639) | (6,488,748) | (5,501,542) | (2,790,235) | (2,725,221) | (200) | (200) |
| Total CET 1 capital | 16,766,454 | 17,676,698 | 19,479,000 | 21,138,228 | 15,733,945 | 16,627,118 | 324,438 | 490,696 |

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26. Capital adequacy (continued)

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

| | Hong Leong Financial Group | | Hong Leong Bank Group | | Hong Leong Bank Berhad | | Hong Leong Investment Bank Berhad | |
|---|-------------------------------|-----------------------|--------------------------|-----------------------|---------------------------|-----------------------|--------------------------------------|-----------------------|
| | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 RM '000 | 30-06-2021 RM '000 | 31-03-2022 RM '000 | 30-06-2021 RM '000 |
| Tier 1 capital | | | | | | | | |
| Multi-currency Additional Tier 1 capital securities | 799,902 | 799,813 | 799,883 | 799,785 | 799,883 | 799,785 | - | - |
| Qualifying non-controlling interests | 591,290 | 594,101 | - | - | - | - | - | - |
| Tier 1 capital before regulatory adjustments | 1,391,192 | 1,393,914 | 799,883 | 799,785 | 799,883 | 799,785 | - | - |
| Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah | - | - | - | - | (400,000) | (400,000) | - | - |
| Tier 1 capital after regulatory adjustments | 1,391,192 | 1,393,914 | 799,883 | 799,785 | 399,883 | 399,785 | - | - |
| Total Tier 1 capital | 18,157,646 | 19,070,612 | 20,278,883 | 21,938,013 | 16,133,828 | 17,026,903 | 324,438 | 490,696 |
| Tier 2 capital | | | | | | | | |
| Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves | 1,702,774 | 1,695,147 | 1,734,139 | 1,726,493 | 1,356,942 | 1,356,795 | 5,161 | 5,115 |
| Subordinated obligations | 1,599,890 | 1,599,861 | 1,499,970 | 1,499,970 | 1,499,970 | 1,499,970 | 100,000 | 100,000 |
| Qualifying non-controlling interests | 1,035,966 | 1,019,015 | - | - | - | - | - | - |
| Less: Investment in Tier 2 subordinated sukuk murabahah | - | - | - | - | (400,000) | (400,000) | - | - |
| Total Tier 2 capital | 4,338,630 | 4,314,023 | 3,234,109 | 3,226,463 | 2,456,912 | 2,456,765 | 105,161 | 105,115 |
| Total capital | 22,496,276 | 23,384,635 | 23,512,992 | 25,164,476 | 18,590,740 | 19,483,668 | 429,599 | 595,811 |

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26. Capital adequacy (continued)

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

| | Hong Leong Financial Group | | Hong Leong Bank Group | | Hong Leong Bank Berhad | | Hong Leong Investment Bank Berhad | |
|------------------|---------------------------------------|--------------------|----------------------------------|--------------------|-----------------------------------|--------------------|--|-------------------|
| | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Credit risk * | 136,221,896 | 135,611,721 | 138,731,089 | 138,119,456 | 108,555,357 | 108,543,591 | 412,917 | 409,205 |
| Market risk | 5,374,193 | 4,167,709 | 5,012,000 | 3,778,671 | 5,070,959 | 3,895,661 | 251,781 | 248,108 |
| Operational risk | 9,643,420 | 9,194,803 | 9,184,981 | 8,761,958 | 7,398,684 | 7,087,877 | 335,092 | 312,925 |
| Total RWA | <u>151,239,509</u> | <u>148,974,233</u> | <u>152,928,070</u> | <u>150,660,085</u> | <u>121,025,000</u> | <u>119,527,129</u> | <u>999,790</u> | <u>970,238</u> |

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,883,060,000 (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 | |
|--|---|-------------------|
| | 31-03-2022 | 30-06-2021 |
| Before deducting proposed dividends | | |
| CET 1 capital ratio | 10.914% | 11.133% |
| Tier 1 capital ratio | 12.290% | 12.535% |
| Total capital ratio | <u>14.839%</u> | <u>15.112%</u> |
| After deducting proposed dividends | | |
| CET 1 capital ratio | 10.914% | 11.133% |
| Tier 1 capital ratio | 12.290% | 12.535% |
| Total capital ratio | <u>14.839%</u> | <u>15.112%</u> |

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27. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 31 March 2022 except for the following:-

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. Proceeds from the issuance of the Green Capital Securities shall be utilised for purposes that meet the criteria as set out in the HLB Green Bond Framework, which was established by HLB on 20 February 2022 and revised in April 2022 (as may be amended, revised and/or substituted from time to time) in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 and the Green Bond Principles issued by the International Capital Market Association in June 2021.

28. Changes in composition of the Group

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

- (a) HL Bank Nominees (Singapore) Pte. Ltd., a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB"), was dissolved on 2 November 2021.
- (b) EB Nominees (Asing) Sendirian Berhad, a wholly-owned subsidiary of HLB, was dissolved on 19 April 2022.

29. Related party transactions

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

30. Commitments and contingencies

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

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

| | The Group | |
|---|--------------------|--------------------|
| | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 |
| Direct credit substitutes | 198,199 | 172,600 |
| Certain transaction related contingent items | 1,940,409 | 1,676,061 |
| Short-term self liquidating trade related contingencies | 1,007,169 | 671,759 |
| Obligations under underwriting agreement | 18,460 | - |
| Irrevocable commitments to extend credit: | | |
| - Less than one year | 24,653,461 | 23,767,882 |
| - More than one year | 20,792,303 | 20,459,242 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity: | | |
| - More than one year | 500 | 30,000 |
| Any commitments that are unconditionally cancellable at any time by the Group without prior notice: | | |
| - Less than one year | 925,275 | 911,550 |
| Foreign exchange related contracts: | | |
| - Less than one year | 65,676,411 | 65,568,146 |
| - One year to less than five years | 5,330,431 | 5,104,301 |
| - Five years and above | 378,540 | 361,486 |
| Interest rate related contracts: | | |
| - Less than one year | 54,648,385 | 119,693,163 |
| - One year to less than five years | 53,389,914 | 34,095,456 |
| - Five years and above | 4,859,001 | 4,387,355 |
| Equity related contracts: | | |
| - Less than one year | 282,777 | 247,217 |
| - One year to less than five years | 98,249 | 121,619 |
| - Five years and above | 258,290 | 255,112 |
| Credit related contracts: | | |
| - Five years and above | 871,969 | 652,187 |
| Commodity related contracts: | | |
| - Less than one year | 276,744 | 55,088 |
| - One year to less than five years | 683,055 | 39,881 |
| Unutilised credit card lines | 7,081,797 | 7,419,464 |
| Total | 243,371,339 | 285,689,569 |

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31. Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

| The Group 31 March 2022 | 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 | - | 16,254,683 | - | 16,254,683 |
| - Quoted securities | 6,751,914 | 871,609 | - | 7,623,523 |
| - Unquoted securities | - | 8,114,418 | 374,729 | 8,489,147 |
| Financial investments at fair value through other comprehensive income | | | | |
| - Money market instruments | - | 17,273,458 | - | 17,273,458 |
| - Quoted securities | 3,056,894 | - | - | 3,056,894 |
| - Unquoted securities | - | 8,775,167 | 69,100 | 8,844,267 |
| Derivative financial instruments | 18,654 | 1,131,875 | 102,505 | 1,253,034 |
| | <u>9,827,462</u> | <u>52,421,210</u> | <u>546,334</u> | <u>62,795,006</u> |

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31. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

| The Group | Fair value | | | Total RM '000 |
|---|--------------------|--------------------|--------------------|------------------|
| | Level 1 RM '000 | Level 2 RM '000 | Level 3 RM '000 | |
| 31 March 2022 | | | | |
| <i>Recurring fair value measurements</i> | | | | |
| <u>Financial liabilities</u> | | | | |
| Derivative financial instruments | 9,063 | 1,254,590 | 101,271 | 1,364,924 |
| Financial liabilities designated at fair value | | | | |
| - Structured deposits linked to interest rate derivatives | - | 1,820,872 | - | 1,820,872 |
| | <u>9,063</u> | <u>3,075,462</u> | <u>101,271</u> | <u>3,185,796</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).

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31. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

| | Financial assets | | | Financial liability |
|--|--|---|---|---|
| | Financial assets at fair value through profit or loss | Financial investments at fair value through other comprehensive income | Derivative financial instruments | Derivative financial instruments |
| The Group | RM '000 | RM '000 | RM '000 | RM '000 |
| 31 March 2022 | | | | |
| As at 1 July | 374,729 | 69,094 | 76,913 | 76,913 |
| Fair value changes recognised in statements of income | - | - | 27,554 | 27,554 |
| Net fair value changes recognised in other comprehensive income | - | 6 | - | - |
| Purchases | - | - | 1,517 | 283 |
| Settlements | - | - | (3,479) | (3,479) |
| As at 31 March | <u>374,729</u> | <u>69,100</u> | <u>102,505</u> | <u>101,271</u> |
| Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2022 | <u>-</u> | <u>-</u> | <u>27,554</u> | <u>27,554</u> |
| Total gain recognised in other comprehensive income relating to assets held on 31 March 2022 | <u>-</u> | <u>6</u> | <u>-</u> | <u>-</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 31 MARCH 2022**

1. Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM1,129.8 million for the current quarter ended 31 March 2022 as compared to RM1,063.1 million in the previous corresponding quarter, an increase of RM66.7 million or 6.3%. The increase was due to higher contribution from commercial banking division.

Hong Leong Bank Group recorded a profit before tax of RM1,030.8 million for the current quarter ended 31 March 2022 as compared to RM940.8 million in the previous corresponding quarter, an increase of RM90.0 million or 9.6%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM62.9 million and higher share of profit from associated companies of RM70.7 million. This was offset by lower revenue of RM37.7 million.

HLA Holdings Group recorded a profit before tax of RM87.8 million for the current quarter ended 31 March 2022 as compared to RM93.9 million in the previous corresponding quarter, a decrease of RM6.1 million or 6.5%. The decrease was mainly due to lower life fund surplus of RM20.4 million and higher operating expenses of RM4.0 million. This was however mitigated by higher revenue of RM16.6 million and higher share of profit from associated company of RM1.7 million.

Hong Leong Capital Group recorded a profit before tax of RM26.5 million for the current quarter ended 31 March 2022 as compared to RM46.9 million in the previous corresponding quarter, a decrease of RM20.4 million or 43.5%. The decrease was mainly due to lower contribution from investment banking and stockbroking divisions.

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

HLFG Group recorded a profit before tax of RM3,505.8 million for the period ended 31 March 2022 as compared to RM3,018.1 million in the previous corresponding period, an increase of RM487.7 million or 16.2%. The increase was mainly due to higher contribution from commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM3,149.5 million for the period ended 31 March 2022 as compared to RM2,646.3 million in the previous corresponding period, an increase of RM503.2 million or 19.0%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM326.2 million, higher share of profit from associated companies of RM205.0 million and lower operating expenses of RM7.0 million. This was offset by lower revenue of RM35.6 million.

HLA Holdings Group recorded a profit before tax of RM304.8 million for the period ended 31 March 2022 as compared to RM286.6 million in the previous corresponding period, an increase of RM18.2 million or 6.4%. The increase was mainly due to higher life fund surplus of RM28.3 million, lower operating expenses of RM1.9 million and higher share of profit from associated company of RM5.8 million. This was offset by lower revenue of RM17.7 million.

Hong Leong Capital Group recorded a profit before tax of RM84.7 million for the period ended 31 March 2022 as compared to RM153.0 million in the previous corresponding period, a decrease of RM68.3 million or 44.6%. This was mainly due to lower contribution from investment banking and stockbroking divisions.

2. Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,129.8 million for the current quarter ended 31 March 2022 as compared to RM1,201.6 million in the preceding quarter, a decrease of RM71.8 million or 6.0%. The decrease was mainly due to lower contribution from commercial banking division and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM1,030.8 million for the current quarter ended 31 March 2022 as compared to RM1,076.5 million in the preceding quarter, a decrease of RM45.7 million or 4.2%. The decrease was mainly due to lower revenue of RM23.3 million, higher operating expenses of RM5.3 million, higher allowance for impairment losses on loans, advances and financing of RM18.0 million and higher allowance for impairment losses on other assets of RM0.5 million. This was mitigated by higher share of profit from associated companies of RM1.4 million.

HLA Holdings Group recorded a profit before tax of RM87.8 million for the current quarter ended 31 March 2022 as compared to RM108.1 million in the preceding quarter, a decrease of RM20.3 million or 18.8%. The decrease was mainly due to lower revenue of RM9.6 million, higher operating expenses of RM9.5 million and lower share of profit from associated company of RM4.6 million. This was offset by higher life fund surplus of RM3.5 million.

Hong Leong Capital Group recorded a profit before tax of RM26.5 million for the current quarter ended 31 March 2022 as compared to RM21.3 million in the preceding quarter, an increase of RM5.2 million or 24.4%. This was due to higher contribution from investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

3. Prospects for the current financial year

Going forward, we expect a broad-based economic recovery spurred by the reopening of the country’s international borders as Malaysia transitions to an endemic phase of Covid-19 management. Fiscal policies are expected to remain expansionary to support consumer spending and encourage business investment to create job opportunities. Notwithstanding the improved outlook within Malaysia, there remains uncertainty and downside risks from soaring inflationary pressures, persistent global supply chain disruptions, fallout from the armed conflict in Europe and a slowdown in China’s economy. Against an uncertain global backdrop, we shall remain vigilant and be prepared to adapt to a volatile business environment for the remainder of the current financial year and beyond.

4. Variance of actual profit from forecasted profit

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

5. Taxation

| | The Group | | The Group | |
|---------------------------------|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Income tax | 224,988 | 212,830 | 763,193 | 590,734 |
| Transfer from/(to) deferred tax | 32,895 | (20,925) | 69,163 | (49,037) |
| | 257,883 | 191,905 | 832,356 | 541,697 |
| Prior year over provision | 102 | (144) | (1,799) | (44,967) |
| | 257,985 | 191,761 | 830,557 | 496,730 |

| | The Company | | The Company | |
|---------------------------------|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Income tax | 105 | 145 | 192 | 454 |
| Transfer from/(to) deferred tax | 156 | (12) | (1) | (28) |
| | 261 | 133 | 191 | 426 |

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.

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

7. Borrowings

| | The Group | | The Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | As at | As at | As at | As at |
| | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Unsecured | | | | |
| RM Term loans | - | 1,000 | - | 1,000 |
| RM Revolving credit | 100,067 | 125,094 | 100,067 | 125,094 |
| RM Commercial papers | 154,943 | 155,846 | 154,943 | 155,846 |
| RM Senior notes | 200,515 | 380,086 | 200,428 | 405,421 |
| | <u>455,525</u> | <u>662,026</u> | <u>455,438</u> | <u>687,361</u> |
| Repayment of term loans | | | | |
| - Less than one year | - | 1,000 | - | 1,000 |
| Repayment of revolving credit | | | | |
| - Less than one year | 100,067 | 125,094 | 100,067 | 125,094 |
| Repayment of commercial papers | | | | |
| - Less than one year | 154,943 | 155,846 | 154,943 | 155,846 |
| Repayment of senior notes | | | | |
| - Less than one year | - | 380,086 | - | 405,421 |
| - One to three years | 200,515 | - | 200,428 | - |
| | <u>455,525</u> | <u>662,026</u> | <u>455,438</u> | <u>687,361</u> |

8. Subordinated obligations

| | Note | The Group | | The Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | As at | As at | As at | As at |
| | | 31-03-2022 | 30-06-2021 | 31-03-2022 | 30-06-2021 |
| | | RM '000 | RM '000 | RM '000 | RM '000 |
| RM600.0 million Tier 2 subordinated debt, at par | (a) | 600,000 | 600,000 | - | - |
| Add: Interest payable | | 4,505 | 4,710 | - | - |
| | | <u>604,505</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 | | 20,411 | 2,608 | 20,411 | 2,608 |
| | | <u>1,620,411</u> | <u>1,602,608</u> | <u>1,620,411</u> | <u>1,602,608</u> |
| Less: Unamortised discounts | | (110) | (139) | (978) | (1,366) |
| | | <u>1,620,301</u> | <u>1,602,469</u> | <u>1,619,433</u> | <u>1,601,242</u> |
| | | <u>2,224,806</u> | <u>2,207,179</u> | <u>1,619,433</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 HLFGB, 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.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

9. Multi-currency Additional Tier 1 capital securities

| | The Group | | The Company | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | As at 31-03-2022 RM '000 | As at 30-06-2021 RM '000 | As at 31-03-2022 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 | 7,151 | 6,742 | 7,151 | 6,742 |
| | 807,151 | 806,742 | 807,151 | 806,742 |
| Less: Unamortised discounts | (98) | (187) | (468) | (767) |
| | <u>807,053</u> | <u>806,555</u> | <u>806,683</u> | <u>805,975</u> |

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

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

10. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2022

The Group

| Items | Principal amount RM '000 | Fair value | |
|------------------------------------|-----------------------------|-------------------|------------------------|
| | | Assets RM '000 | Liabilities RM '000 |
| Foreign exchange related contracts | | | |
| - Forwards | | | |
| (i) Less than 1 year | 53,811,774 | 214,890 | (196,043) |
| (ii) 1 year to 3 years | 398,474 | 62 | (9,935) |
| (iii) More than 3 years | 673,801 | - | (18,458) |
| - Swaps | | | |
| (i) Less than 1 year | 5,637,626 | 97,942 | (21,305) |
| (ii) 1 year to 3 years | 2,990,224 | 59,336 | (37,005) |
| (iii) More than 3 years | 1,302,771 | 15,979 | (10,562) |
| - Options | | | |
| (i) Less than 1 year | 6,193,377 | 25,333 | (28,389) |
| (ii) 1 year to 3 years | 343,701 | 2,276 | (1,492) |
| - Spots | | | |
| (i) Less than 1 year | 33,634 | 4 | (1) |
| Interest rate related contracts | | | |
| - Futures | | | |
| (i) Less than 1 year | 21,229,090 | 38,421 | (9,064) |
| - Swaps | | | |
| (i) Less than 1 year | 33,335,210 | 38,190 | (59,119) |
| (ii) 1 year to 3 years | 31,797,898 | 118,152 | (186,255) |
| (iii) More than 3 years | 26,343,897 | 365,426 | (500,763) |
| - Cross currency swaps | | | |
| (i) Less than 1 year | 84,085 | 1,617 | - |
| (ii) 1 year to 3 years | 107,120 | 3,063 | (15,731) |
| Equity related contracts | | | |
| (i) Less than 1 year | 282,777 | 3,050 | (2,913) |
| (ii) 1 year to 3 years | 3,480 | 104 | (104) |
| (iii) More than 3 years | 353,059 | 99,554 | (98,254) |
| Credit related contracts | | | |
| (i) More than 3 years | 871,969 | 20,405 | (20,405) |
| Commodity related contracts | | | |
| (i) Less than 1 year | 276,744 | 48,788 | (48,684) |
| (ii) 1 year to 3 years | 683,055 | 100,442 | (100,442) |
| Total | 186,753,766 | 1,253,034 | (1,364,924) |

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

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 RM247,951,000 (30 June 2021: RM327,979,000) and RM109,565,094,000 (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 31 MARCH 2022**

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 RM1,263,025,000 (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 31 MARCH 2022**

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

For the financial period ended 31 March 2022, an interim single-tier dividend of 15.00 sen per share was declared and paid (31 March 2021: 10.80 sen).

13. Earnings per share

(a) Basic earnings per share

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

| | The Group | | The Group | |
|---|---|---|--|---|
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Net profit attributable to equity holders | 577,478 | 577,273 | 1,777,526 | 1,691,888 |
| Weighted average number of ordinary shares ('000) | 1,133,945 | 1,133,789 | 1,133,861 | 1,133,792 |
| Basic earnings per share (sen) | 50.9 | 50.9 | 156.8 | 149.2 |
| | The Company | | The Company | |
| | Current quarter ended 31-03-2022 RM '000 | Last year quarter ended 31-03-2021 RM '000 | Current year to date 31-03-2022 RM '000 | Last year to date 31-03-2021 RM '000 |
| Net profit attributable to equity holders | 235,247 | 177,107 | 795,886 | 543,953 |
| Weighted average number of ordinary shares ('000) | 1,138,037 | 1,137,881 | 1,137,953 | 1,137,881 |
| Basic earnings per share (sen) | 20.7 | 15.6 | 69.9 | 47.8 |

(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 30 May 2022