

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	<u>The Group</u>		<u>The Company</u>	
		30 September 2023 RM'000	Restated 30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000
Assets					
Cash and short-term funds		8,699,046	9,848,432	33,944	65,246
Deposits and placements with banks and other financial institutions		1,159,014	1,079,574	94,360	67,860
Securities purchased under resale agreements		148,974	-	-	-
Financial assets at fair value through profit or loss	A9	30,601,694	31,893,892	-	-
Financial investments at fair value through other comprehensive income	A10	39,233,431	35,724,785	-	-
Financial investments at amortised cost	A11	32,420,483	32,332,303	-	-
Derivative financial instruments	B10	1,946,726	2,235,614	-	-
Loans, advances and financing	A12	180,348,432	180,312,664	-	-
Clients' and brokers' balances		478,414	438,288	-	-
Other assets	A13	3,173,266	2,687,887	543,386	2,250
Statutory deposits with Central Banks		3,489,666	3,449,270	-	-
Tax recoverable		8,517	4,907	379	464
Deferred tax assets		-	-	244	203
Investment in subsidiary companies		-	-	18,566,554	18,558,876
Investment in associated companies		10,014,145	10,050,740	-	-
Property and equipment		1,193,751	1,214,879	5,366	5,341
Right-of-use assets		182,004	189,340	2,900	3,135
Investment properties		471,630	471,630	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		390,467	387,918	118	137
Total Assets		316,370,304	314,732,767	19,247,251	18,703,512
Liabilities					
Deposits from customers	A14	207,582,593	211,467,443	-	-
Investment accounts of customers	A15	2,115,170	2,250,513	-	-
Deposits and placements of banks and other financial institutions	A16	13,437,992	12,452,060	-	-
Obligations on securities sold under repurchase agreements		9,644,105	7,399,583	-	-
Bills and acceptances payable		202,821	211,431	-	-
Derivative financial instruments	B10	2,173,139	2,447,431	-	-
Clients' and brokers' balances		180,805	145,393	-	-
Other liabilities	A17	9,511,667	8,022,910	383,597	14,775
Lease liabilities		184,980	192,011	3,121	3,353
Recourse obligations on loans/financing sold to Cagamas Berhad		3,274,535	2,972,220	-	-
Provision for taxation		64,366	58,141	-	-
Deferred tax liabilities		11,794	8,022	-	-
Borrowings	B7	200,546	201,936	200,543	201,919
Subordinated obligations	B8	2,223,804	2,206,650	1,113,872	1,101,859
Multi-currency Additional Tier 1 capital securities	B9	1,727,404	1,719,630	400,030	404,851
Insurance funds	A32	23,266,590	22,835,120	-	-
Total Liabilities		275,802,311	274,590,494	2,101,163	1,726,757
Equity					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		25,464,825	25,117,549	15,053,805	14,884,472
Treasury shares for ESS		(233,108)	(233,108)	(174,725)	(174,725)
Total Shareholders' Equity		27,498,725	27,151,449	17,146,088	16,976,755
Non-controlling interests		13,069,268	12,990,824	-	-
Total Equity		40,567,993	40,142,273	17,146,088	16,976,755
Total Liabilities and Equity		316,370,304	314,732,767	19,247,251	18,703,512
Commitments and Contingencies	A30	288,024,237	269,008,810	-	-
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)		24.25	23.94	15.06	14.92

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

		1st Quarter Ended		Three Months Ended	
		30 September 2023	Restated 30 September 2022	30 September 2023	Restated 30 September 2022
The Group	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	2,158,807	1,662,083	2,158,807	1,662,083
Interest income for financial assets at fair value through profit or loss	A19	40,693	80,718	40,693	80,718
Interest expense	A20	(1,251,660)	(730,992)	(1,251,660)	(730,992)
Net interest income		947,840	1,011,809	947,840	1,011,809
Income from Islamic banking business	A21	230,233	251,520	230,233	251,520
		1,178,073	1,263,329	1,178,073	1,263,329
Non-interest income	A22	387,264	340,133	387,264	340,133
Net income		1,565,337	1,603,462	1,565,337	1,603,462
Overhead expenses	A23	(641,204)	(600,085)	(641,204)	(600,085)
Operating profit before allowances		924,133	1,003,377	924,133	1,003,377
Write-back of/(allowance for) impairment losses on loans, advances and financing and other losses	A24	51,240	(37,461)	51,240	(37,461)
(Allowance for)/write-back of impairment losses on other assets	A25	(466)	342	(466)	342
		974,907	966,258	974,907	966,258
Share of results of associated companies		377,567	275,281	377,567	275,281
Profit before taxation		1,352,474	1,241,539	1,352,474	1,241,539
Taxation	B5	(237,352)	(220,340)	(237,352)	(220,340)
Net profit for the financial period		1,115,122	1,021,199	1,115,122	1,021,199
Attributable to:					
Owners of the parent		741,645	669,474	741,645	669,474
Non-controlling interests		373,477	351,725	373,477	351,725
		1,115,122	1,021,199	1,115,122	1,021,199
Earnings per share attributable to equity holders of the Company - basic (sen)		65.4	59.0	65.4	59.0

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	Restated 30 September 2022 RM'000	30 September 2023 RM'000	Restated 30 September 2022 RM'000
The Group				
Net profit for the financial period	1,115,122	1,021,199	1,115,122	1,021,199
Other comprehensive loss:				
(ii) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive loss of associated companies	41,223	(11,550)	41,223	(11,550)
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(14,085)	(74,473)	(14,085)	(74,473)
- Changes in expected credit losses	206	19	206	19
(c) Net fair value changes in cash flow hedge	-	279	-	279
(d) Currency translation differences	(62,334)	38,173	(62,334)	38,173
(e) Income tax relating to components of other comprehensive income	3,565	11,379	3,565	11,379
Other comprehensive loss for the financial period, net of tax	(31,425)	(36,173)	(31,425)	(36,173)
Total comprehensive income for the financial period	1,083,697	985,026	1,083,697	985,026
Attributable to:				
Owners of the parent	723,956	643,266	723,956	643,266
Non-controlling interests	359,741	341,760	359,741	341,760
	1,083,697	985,026	1,083,697	985,026

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

		1st Quarter Ended		Three Months Ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Company	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	17,264	27,898	17,264	27,898
Interest expense	A20	(18,410)	(31,292)	(18,410)	(31,292)
Net interest expense		(1,146)	(3,394)	(1,146)	(3,394)
Non-interest income	A22	541,809	531,624	541,809	531,624
Net income		540,663	528,230	540,663	528,230
Overhead expenses	A23	(8,167)	(10,351)	(8,167)	(10,351)
Write-back of impairment losses on other assets	A25	709	213	709	213
Profit before taxation		533,205	518,092	533,205	518,092
Taxation	B5	(44)	(89)	(44)	(89)
Net profit for the financial period		533,161	518,003	533,161	518,003
Earnings per share attributable to equity holders of the Company - basic (sen)		46.8	45.5	46.8	45.5

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Company	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	533,161	518,003	533,161	518,003
Other comprehensive income for the financial period, net of tax	-	-	-	-
Total comprehensive income for the financial period	533,161	518,003	533,161	518,003

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	← Attributable to owner of the parent →											
	Share capital RM'000	Regulatory reserve# RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non-controlling interests RM'000	Total equity RM'000
The Group												
At 1 July 2023	2,267,008	1,016,490	(318,005)	-	213,314	35,502	967,332	22,843,179	(233,108)	26,791,712	12,837,922	39,629,634
Effects of adopting MFRS 17 (Note A32)	-	-	-	-	-	-	-	359,737	-	359,737	152,902	512,639
At 1 July 2023, as restated	2,267,008	1,016,490	(318,005)	-	213,314	35,502	967,332	23,202,916	(233,108)	27,151,449	12,990,824	40,142,273
Comprehensive income												
Net profit for the financial period	-	-	-	-	-	-	-	741,645	-	741,645	373,477	1,115,122
Currency translation differences	-	-	-	-	-	-	(40,737)	-	-	(40,737)	(21,597)	(62,334)
Share of other comprehensive loss of associated companies	-	-	30,347	-	-	-	-	-	-	30,347	10,876	41,223
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(7,435)	-	-	-	-	-	-	(7,435)	(3,085)	(10,520)
- Changes in expected credit losses	-	-	136	-	-	-	-	-	-	136	70	206
Total comprehensive income	-	-	23,048	-	-	-	(40,737)	741,645	-	723,956	359,741	1,083,697
Transaction with owners												
Transfer to regulatory reserve	-	65,544	-	-	-	-	-	(65,544)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(11,996)	-	(11,996)	11,996	-
Dividends payable	-	-	-	-	-	-	-	(364,172)	-	(364,172)	-	(364,172)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(294,217)	(294,217)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	924	924
Options charge arising from executive share scheme	-	-	-	-	-	412	-	-	-	412	-	412
Exercise of executive share scheme	-	-	-	-	-	(2,277)	-	1,353	-	(924)	-	(924)
At 30 September 2023	2,267,008	1,082,034	(294,957)	-	213,314	33,637	926,595	23,504,202	(233,108)	27,498,725	13,069,268	40,567,993

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	← Attributable to owner of the parent →											
	Share capital RM'000	Regulatory reserve# RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non-controlling interests RM'000	
The Group												
At 1 July 2022	2,267,008	666,534	(541,311)	(185)	213,314	60,866	907,614	20,937,790	(236,039)	24,275,591	11,714,133	35,989,724
Effects of adopting MFRS 17 (Note A32)	-	-	-	-	-	-	-	289,747	-	289,747	123,425	413,172
At 1 July 2022, as restated	2,267,008	666,534	(541,311)	(185)	213,314	60,866	907,614	21,227,537	(236,039)	24,565,338	11,837,558	36,402,896
Comprehensive income												
Net profit for the financial period	-	-	-	-	-	-	-	669,474	-	669,474	351,725	1,021,199
Currency translation differences	-	-	-	-	-	-	28,355	-	-	28,355	9,818	38,173
Share of other comprehensive loss of associated companies	-	-	(7,655)	-	-	-	-	-	-	(7,655)	(3,895)	(11,550)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(41,475)	-	-	-	-	-	-	(41,475)	(21,619)	(63,094)
- Changes in expected credit losses	-	-	12	-	-	-	-	-	-	12	7	19
Net fair value changes in cash flow hedge	-	-	-	185	-	-	-	-	-	185	94	279
Total comprehensive (loss)/income	-	-	(49,118)	185	-	-	28,355	669,474	-	648,896	336,130	985,026
Transaction with owners												
Transfer to regulatory reserve	-	39,802	-	-	-	-	-	(39,802)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	718	-	718	(718)	-
Dividends payable	-	-	-	-	-	-	-	(352,792)	-	(352,792)	-	(352,792)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(273,857)	(273,857)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	827	827
Options charge arising from executive share scheme	-	-	-	-	-	(1,048)	-	-	-	(1,048)	-	(1,048)
Exercise of executive share scheme	-	-	-	-	-	(1,953)	-	1,126	-	(827)	-	(827)
At 30 September 2022	2,267,008	706,336	(590,429)	-	213,314	57,865	935,969	21,506,261	(236,039)	24,860,285	11,899,940	36,760,225

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM1,070,789,000 (30 September 2022: RM695,091,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 2022: 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 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	← Non-distributable →				Distributable	
	Share capital RM'000	Other capital reserve RM'000	Share options reserve RM'000	Treasury shares for ESS RM'000	Retained profits RM'000	Total equity RM'000
<u>The Company</u>						
At 1 July 2023	2,267,008	254,991	2,296	(174,725)	14,627,185	16,976,755
Net profit for the financial period	-	-	-	-	533,161	533,161
Dividends payable	-	-	-	-	(364,172)	(364,172)
Options charge arising from executive share scheme	-	-	344	-	-	344
At 30 September 2023	<u>2,267,008</u>	<u>254,991</u>	<u>2,640</u>	<u>(174,725)</u>	<u>14,796,174</u>	<u>17,146,088</u>
At 1 July 2022	2,267,008	254,991	2,685	(177,656)	14,315,649	16,662,677
Net profit for the financial period	-	-	-	-	518,003	518,003
Dividends payable	-	-	-	-	(352,792)	(352,792)
Options charge arising from executive share scheme	-	-	1,006	-	-	1,006
At 30 September 2022	<u>2,267,008</u>	<u>254,991</u>	<u>3,691</u>	<u>(177,656)</u>	<u>14,480,860</u>	<u>16,828,894</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	The Group		The Company	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Cash flows from operating activities				
Profit before taxation	1,352,474	1,241,539	533,205	518,092
Adjustment for non-cash items	(877,938)	(542,354)	(537,445)	(524,170)
Operating profit/(loss) before working capital changes	474,536	699,185	(4,240)	(6,078)
Income tax paid	(180,554)	(334,998)	-	-
Interest received	777	114	777	114
Changes in working capital:				
Net changes in operating assets	1,633,416	(3,939,394)	(28,837)	(3,738)
Net changes in operating liabilities	(90,279)	6,614,861	4,643	4,341
Net cash generated from/(used in) operating activities	1,837,896	3,039,768	(27,657)	(5,361)
Cash flows from investing activities				
Net (purchases)/disposal of financial investments at FVOCI	(3,153,829)	614,028	-	-
Net (purchases)/disposal of financial investments at amortised cost	(88,188)	1,578,517	-	-
Interest received on financial investments at FVOCI and financial investments at amortised cost	508,172	339,878	-	-
Purchase of intangible assets	(8,680)	(8,630)	(3)	-
Purchase of property and equipment	(23,411)	(59,742)	(340)	(706)
Net proceeds from disposal of property and equipment	408	314	-	-
Dividends received from other investments	24,798	23,812	-	-
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency AT1 capital securities	-	-	9,518	9,518
Net cash (used in)/generated from investing activities	(2,740,730)	2,488,177	9,175	8,812
Cash flows from financing activities				
Repayment of lease liabilities	(9,090)	(5,117)	(232)	(223)
Repayment from commercial papers	-	(5,000)	-	(5,000)
Proceeds from recourse obligations on loans/ financing sold to Cagamas Berhad	300,000	-	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	-	(362,914)	-	-
Interest paid on Multi-currency AT1 capital securities	(19,789)	(9,663)	(9,719)	(9,719)
Interest paid on subordinated obligations	(5,728)	(5,727)	-	-
Interest paid on borrowings	(2,827)	(4,097)	(2,827)	(4,111)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(27,079)	(13,813)	-	-
Interest paid on lease liabilities	(2,059)	(2,161)	(42)	(51)
Net cash generated/(used in) financing activities	233,428	(408,492)	(12,820)	(19,104)
Net increase in cash and cash equivalents	(669,406)	5,119,453	(31,302)	(15,653)
Effects of exchange rate changes	(62,334)	136,300	-	-
Cash and cash equivalents at beginning of the financial year	10,116,501	9,844,724	65,306	26,669
Cash and cash equivalents at end of financial period	9,384,761	15,100,477	34,004	11,016
Analysis of cash and cash equivalents				
Cash and short-term funds	8,699,046	14,218,602	33,944	10,956
Deposits and placements with banks and other financial institutions	1,159,014	4,328,165	94,360	3,360
	9,858,060	18,546,767	128,304	14,316
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(473,299)	(3,446,290)	(94,300)	(3,300)
	9,384,761	15,100,477	34,004	11,016

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

A1 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 2023. 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 2023.

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 2023 and modified for the adoption of the following accounting standards applicable for financial year beginning on or after 1 July 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on "Disclosure of Accounting Policies" & "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- MFRS 17 "Insurance Contracts" and its amendments
- Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information"

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 other than the effects and change in accounting policy arising from adaption of MFRS 17 as disclosed in Note A32.

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.

A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the financial year ended 30 June 2023

There was no qualified report issued by the auditors in the preceding annual financial statements for the financial year ended 30 June 2023.

A3 Seasonality or cyclical nature of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 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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A6 Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial year period other than movements as disclosed in note B7, B8, B9 and as mentioned below.

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

In December 2017, the Group has granted up to 20,450,000 Executive Share Option Scheme ("ESOS") at an exercise price of RM17.12 to eligible executives of the Company and its subsidiary pursuant to the Company's ESS.

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

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

During the financial year period, no shares were exercised pursuant to the Company's ESGS.

As at 30 September 2023, the total number of Treasury Shares for ESS is 9,323,192 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM174,725,233.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 September 2023 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 ESS at the Group level.

A7 Dividends paid

A final single-tier dividend of 32.0 sen per share, amounting to RM364,171,934, in respect of the financial year ended 30 June 2023 payable on 23 November 2023.

A8 Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
30 September 2023						
Revenue						
External revenue	1,389,597	62,316	112,845	(747)	1,326	1,565,337
Inter-segment revenue	4,518	973	231	536,872	(542,594)	-
Segment revenue	<u>1,394,115</u>	<u>63,289</u>	<u>113,076</u>	<u>536,125</u>	<u>(541,268)</u>	<u>1,565,337</u>
Results						
Segment results	888,648	27,413	63,912	533,199	(538,265)	974,907
Share of results of associated companies						<u>377,567</u>
Profit before taxation						<u>1,352,474</u>
Taxation						<u>(237,352)</u>
Net profit for the financial year						<u>1,115,122</u>
Non-controlling interests						<u>(373,477)</u>
Profit attributable to owners of the parent						<u><u>741,645</u></u>
Other information						
Segment assets	282,574,179	4,857,845	29,320,208	19,247,267	(19,630,671)	<u><u>316,368,828</u></u>
Segment liabilities	248,385,290	3,916,561	24,452,300	2,102,812	(3,056,128)	<u><u>275,800,835</u></u>

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A8 Segmental reporting (continued)

The Group	Restated				Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000		
30 September 2022						
Revenue						
External revenue	1,492,736	50,843	65,647	(5,764)	-	1,603,462
Inter-segment revenue	7,180	108	397	524,713	(532,398)	-
Segment revenue	<u>1,499,916</u>	<u>50,951</u>	<u>66,044</u>	<u>518,949</u>	<u>(532,398)</u>	<u>1,603,462</u>
Results						
Segment results	922,128	20,803	36,742	518,087	(531,502)	966,258
Share of results of associated companies						<u>275,281</u>
Profit before taxation						<u>1,241,539</u>
Taxation						<u>(220,340)</u>
Net profit for the financial year						<u>1,021,199</u>
Non-controlling interests						<u>(351,725)</u>
Profit attributable to owners of the parent						<u><u>669,474</u></u>
Other information						
Segment assets	262,720,790	4,336,873	27,012,312	20,037,276	(19,318,592)	<u><u>294,788,659</u></u>
Segment liabilities	231,554,426	3,422,230	22,584,295	3,210,001	(2,742,517)	<u><u>258,028,435</u></u>

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A9 Financial assets at fair value through profit or loss ("FVTPL")

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
Money market instruments		
Bank Negara Malaysia bills	-	1,197,414
Government treasury bills	289,668	620,126
Malaysian Government securities	5,011,128	4,310,150
Malaysian Government investment certificates	1,487,551	2,471,760
Negotiable instruments of deposit	1,807,644	1,856,476
Cagamas bonds	15,199	15,078
Other Government securities	6,420,037	6,466,091
	15,031,227	16,937,095
Quoted securities		
Shares in Malaysia	5,598,046	5,143,592
Shares outside Malaysia	772,539	590,260
Wholesale fund/unit trust investments	832,898	724,832
Portfolio Investment Accounts [Note]	1,282	1,282
Foreign currency bonds in Malaysia	18,399	-
Investment-linked funds	322	456
Loan stocks	2,084	1,773
Warrants in Malaysia	2,027	1,894
	7,227,597	6,464,089
Unquoted securities		
Shares in Malaysia	393,370	393,371
Foreign currency bonds in Malaysia	98,299	37,281
Foreign currency bonds outside Malaysia	56,572	9,279
Corporate bonds and sukuk	7,681,197	7,941,807
Perpetual bonds	88,432	85,970
Redeemable preference shares	25,000	25,000
	8,342,870	8,492,708
	30,601,694	31,893,892
Total financial assets at FVTPL		

Note :

Included in financial assets at FVTPL are the underlying assets for the Portfolio Investment Accounts ("PIA"). PIA is there stricted 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.

A10 Financial investments at fair value through other comprehensive income ("FVOCI")

		The Group	
		30 September 2023 RM'000	30 June 2023 RM'000
At fair value			
Debt instruments	(a)	39,135,781	35,627,135
Equity instruments	(b)	97,650	97,650
		39,233,431	35,724,785

(a) Debt instruments

Money market instruments			
Government treasury bills		1,820,489	1,820,701
Malaysian Government securities		5,997,226	4,707,923
Malaysian Government investment certificates		11,596,641	10,175,143
Negotiable instruments of deposit		517,506	1,306,322
Khazanah bonds		306,084	363,416
Cagamas bonds		3,017,171	2,620,153
		23,255,117	20,993,658

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A10 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
(a) Debt instruments (continued)		
Quoted securities		
Government sukuk	869,662	860,644
Foreign currency bonds in Malaysia	2,067,635	1,873,035
Foreign currency bonds outside Malaysia	<u>2,119,736</u>	<u>1,703,172</u>
	<u>5,057,033</u>	<u>4,436,851</u>
Unquoted securities		
Government sukuk	30,321	30,768
Corporate bonds and sukuk	9,042,826	8,913,211
Foreign currency bonds in Malaysia	991,994	847,674
Foreign currency bonds outside Malaysia	<u>758,490</u>	<u>404,973</u>
	<u>10,823,631</u>	<u>10,196,626</u>
	<u>39,135,781</u>	<u>35,627,135</u>

Movements in expected credit losses ("ECL") of debt instruments at FVOCI 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				
At 1 July 2023	2,275	-	18,227	20,502
New financial assets originated or purchased	410	-	-	410
Financial assets derecognised	(159)	-	-	(159)
Changes due to change in credit risk	(44)	-	-	(44)
Exchange differences	-	-	39	39
At 30 September 2023	<u>2,482</u>	<u>-</u>	<u>18,266</u>	<u>20,748</u>
At 1 July 2022	1,981	-	17,407	19,388
New financial assets originated or purchased	999	-	-	999
Financial assets derecognised	(223)	-	-	(223)
Changes due to change in credit risk	(582)	-	-	(582)
Exchange differences	100	-	820	920
At 30 June 2023	<u>2,275</u>	<u>-</u>	<u>18,227</u>	<u>20,502</u>

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
(b) Equity instruments		
Unquoted securities		
Shares in Malaysia	<u>97,650</u>	<u>97,650</u>

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A11 Financial investments at amortised cost

	The Group	
	30 September 2023	30 June 2023
	RM'000	RM'000
Money market instruments		
Government treasury bills	61,008	60,676
Malaysian Government securities	6,176,624	6,024,655
Malaysian Government investment certificates	23,497,541	23,487,152
Cagamas bonds	1,658,768	1,658,260
Khazanah bonds	14,523	14,393
Other Government securities	366,277	421,343
	31,774,741	31,666,479
Quoted securities		
Foreign currency bonds outside Malaysia	-	19,117
	-	19,117
Unquoted securities		
Government sukuk	30,218	30,611
Corporate bonds and sukuk	615,549	616,114
	645,767	646,725
Less: Expected credit losses	(25)	(18)
Total financial investments at amortised cost	32,420,483	32,332,303

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 2023	18	-	-	18
Changes due to change in credit risk	8	-	-	8
Exchange differences	(1)	-	-	(1)
At 30 September 2023	25	-	-	25
At 1 July 2022	68	-	-	68
Changes due to change in credit risk	(52)	-	-	(52)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	3	-	-	3
At 30 June 2023	18	-	-	18

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A12 Loans, advances and financing

	The Group	
	30 September 2023 RM'000	Restated 30 June 2023 RM'000
Overdrafts	3,817,655	4,077,891
Term loans/financing:		
- Housing and shop loans/financing	98,993,764	97,387,797
- Hire purchase receivables	20,224,600	19,914,072
- Ijarah receivables	245,002	249,054
- Other term loans/financing and syndicated term loans	35,533,947	35,475,855
Credit/charge card receivables	3,320,471	3,202,663
Bills receivable	1,727,404	1,936,868
Trust receipts	356,844	441,074
Claims on customers under acceptance credits	8,173,464	8,936,884
Revolving credits	9,546,569	10,339,502
Staff loans/financing	118,038	125,080
Other loans/financing	127	126
Gross loans, advances and financing	<u>182,057,885</u>	<u>182,086,866</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(14,650)	(14,700)
Allowance for impairment losses:		
- Expected credit losses	(1,694,803)	(1,759,502)
Total net loans, advances and financing	<u>180,348,432</u>	<u>180,312,664</u>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM3,180,070,000 (30 June 2023: RM2,917,197,000).

(a) By type of customers

	The Group	
	30 September 2023 RM'000	Restated 30 June 2023 RM'000
Domestic non-bank financial institutions	2,087,849	2,258,897
Domestic business enterprises:		
- Small and medium enterprises	33,405,906	33,083,633
- Others	25,864,136	27,940,458
Government and statutory bodies	1,036	1,108
Individuals	117,396,846	115,572,681
Other domestic entities	114,742	100,246
Foreign entities	3,187,370	3,129,843
Gross loans, advances and financing	<u>182,057,885</u>	<u>182,086,866</u>

(b) By interest/profit rate sensitivity

	The Group	
	30 September 2023 RM'000	Restated 30 June 2023 RM'000
Fixed rate		
- Housing and shop loans/financing	6,722,193	4,875,632
- Hire purchase receivables	20,172,729	19,856,028
- Other fixed rate loans/financing	8,260,617	8,641,052
Variable rate		
- Standardised base rate/base rate/base lending rate plus	122,904,676	123,357,618
- Cost plus	23,917,717	25,256,906
- Other variable rates	79,953	99,630
Gross loans, advances and financing	<u>182,057,885</u>	<u>182,086,866</u>

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A12 Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	30 September	Restated
	2023	30 June
	RM'000	2023
		RM'000
Purchase of securities	1,197,655	1,320,663
Purchase of transport vehicles	19,910,653	19,574,851
Purchase of landed properties		
- Residential	90,773,986	89,114,612
- Non-residential	22,315,238	21,976,096
Purchase of fixed assets (excluding landed properties)	1,618,453	1,672,034
Personal use	3,882,604	3,885,235
Credit card	3,320,471	3,202,663
Construction	4,555,669	4,197,939
Working capital	33,307,753	35,954,488
Other purposes	1,175,403	1,188,285
Gross loans, advances and financing	182,057,885	182,086,866

(d) By geographical distribution

	The Group	
	30 September	Restated
	2023	30 June
	RM'000	2023
		RM'000
Malaysia	168,775,915	168,121,697
Outside Malaysia		
- Singapore	8,820,574	9,367,686
- Hong Kong	39,285	46,789
- Vietnam	1,987,579	1,956,082
- Cambodia	2,434,532	2,594,612
Gross loans, advances and financing	182,057,885	182,086,866

(e) By residual contractual maturity

	The Group	
	30 September	Restated
	2023	30 June
	RM'000	2023
		RM'000
Within one year	31,176,271	33,320,623
One year to less than three years	7,465,763	7,261,457
Three years to less than five years	10,265,054	10,659,367
Five years and more	133,150,797	130,845,419
Gross loans, advances and financing	182,057,885	182,086,866

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

	The Group	
	30 September	30 June
	2023	2023
	RM'000	RM'000
At beginning of financial year	1,042,010	819,878
Classified as impaired during the financial period/year	361,905	1,642,615
Reclassified as non-impaired during the financial period/year	(246,863)	(890,911)
Amount written back in respect of recoveries	(56,712)	(224,850)
Amount written off	(70,789)	(305,601)
Exchange differences	130	879
At end of financial period/year	1,029,681	1,042,010
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	0.6%	0.6%

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A12 Loans, advances and financing (continued)

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

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
Purchase of securities	117	125
Purchase of transport vehicles	52,274	42,881
Purchase of landed properties		
- Residential	381,134	404,463
- Non-residential	124,058	119,107
Purchase of fixed assets (excluding landed properties)	4,580	4,627
Personal use	39,002	47,205
Credit card	26,611	30,445
Construction	24,924	24,851
Working capital	283,330	274,325
Other purposes	93,651	93,981
Gross impaired loans, advances and financing	<u>1,029,681</u>	<u>1,042,010</u>

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

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
Malaysia	968,155	982,393
Outside Malaysia		
- Singapore	1,182	1,481
- Vietnam	903	928
- Cambodia	59,441	57,208
Gross impaired loans, advances and financing	<u>1,029,681</u>	<u>1,042,010</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				
At 1 July 2023	966,580	381,777	411,145	1,759,502
Changes in ECL due to transfer within stages	(15,570)	(34,371)	49,941	-
Transfer to Stage 1	2,981	(2,975)	(6)	-
Transfer to Stage 2	(18,434)	31,018	(12,584)	-
Transfer to Stage 3	(117)	(62,414)	62,531	-
New financial assets originated	11,340	126	17	11,483
Financial assets derecognised	(2,692)	(11,448)	(5,663)	(19,803)
Changes due to change in credit risk	(1,628)	47,939	4,749	51,060
Modifications to contractual cash flow of financial assets	2	76	-	78
Changes in models/risk parameters	(32,720)	-	-	(32,720)
Amount written off	-	-	(71,124)	(71,124)
Exchange differences	(203)	(60)	45	(218)
Other movements	-	-	(3,455)	(3,455)
At 30 September 2023	<u>925,109</u>	<u>384,039</u>	<u>385,655</u>	<u>1,694,803</u>

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A12 Loans, advances and financing (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 2022	977,229	423,913	335,647	1,736,789
Changes in ECL due to transfer within stages	(44,038)	(203,154)	247,192	-
Transfer to Stage 1	35,350	(35,254)	(96)	-
Transfer to Stage 2	(76,367)	145,894	(69,527)	-
Transfer to Stage 3	(3,021)	(313,794)	316,815	-
New financial assets originated	46,539	855	54	47,448
Financial assets derecognised	(15,727)	(30,658)	(25,835)	(72,220)
Changes due to change in credit risk	(5,293)	186,466	172,701	353,874
Modifications to contractual cash flow of financial assets	366	1,078	203	1,647
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(306,145)	(306,145)
Exchange differences	1,757	571	(615)	1,713
Other movements	-	-	(12,057)	(12,057)
At 30 June 2023	966,580	381,777	411,145	1,759,502

A13 Other assets

	The Group		The Company	
	30 September 2023 RM'000	Restated 30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	273,174	338,198	543,386	2,250
Settlement accounts	1,356,245	850,808	-	-
Treasury related receivables	266,241	159,020	-	-
Cash collateral pledged for derivative transactions	1,020,590	1,086,263	-	-
Fee income receivables	5,862	7,715	-	-
Other receivables	251,108	245,837	-	-
	3,173,266	2,687,887	543,386	2,250

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A14 Deposits from customers

(a) By type of deposits

	The Group	
	30 September	30 June
	2023	2023
	RM'000	RM'000
At amortised cost		
Fixed deposits	113,965,476	112,597,523
Negotiable instruments of deposits	11,664,886	10,914,720
Short-term placements	15,915,295	19,048,027
	<u>141,545,657</u>	<u>142,560,270</u>
Demand deposits	39,557,493	42,465,293
Savings deposits	22,264,105	22,479,001
Others	412,888	398,549
	<u>203,780,143</u>	<u>207,903,113</u>
At FVTPL		
Structured deposits linked to interest rate derivatives	4,135,058	3,874,742
Fair value changes arising from designation at FVTPL [Note]	(332,608)	(310,412)
	<u>3,802,450</u>	<u>3,564,330</u>
	<u><u>207,582,593</u></u>	<u><u>211,467,443</u></u>

Note:

The Group has issued structured deposits which are linked to interest rate derivatives and designated at FVTPL. 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	
	30 September	30 June
	2023	2023
	RM'000	RM'000
Government and statutory bodies	4,937,307	5,261,598
Business enterprises	95,192,427	99,334,076
Individuals	105,136,509	104,628,726
Others	2,316,350	2,243,043
	<u>207,582,593</u>	<u>211,467,443</u>

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

	The Group	
	30 September	30 June
	2023	2023
	RM'000	RM'000
Due within six months	115,683,604	119,473,207
More than six months to one year	22,906,752	20,115,668
More than one year to five years	2,132,604	2,196,854
More than five years	822,697	774,541
	<u>141,545,657</u>	<u>142,560,270</u>

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A15 Investment accounts of customers

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
Unrestricted investment accounts		
- Mudarabah with maturity	2,114,133	2,249,231
Restricted investment accounts		
- Wakalah bi Al-Istithmar	1,037	1,282
	<u>2,115,170</u>	<u>2,250,513</u>

The underlying assets for the investment accounts are house financing, personal financing, other term financing, cash and cash equivalent and unit trusts.

A16 Deposits and placements of banks and other financial institutions

	The Group	
	30 September 2023 RM'000	30 June 2023 RM'000
Licensed banks	9,852,959	8,316,003
Licensed investment banks	83,133	362,886
Central banks [Note]	1,505,183	1,497,021
Other financial institutions	1,996,717	2,276,150
	<u>13,437,992</u>	<u>12,452,060</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 RM1,505,183,000 (30 June 2023: RM1,497,021,000) at concession rates.

A17 Other liabilities

	Note	The Group		The Company	
		30 September 2023 RM'000	Restated 30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000
Trade payables		236,744	403,589	-	-
Post employment benefits obligation					
- defined contribution plan		1,929	1,928	41	41
Loan advance payment		3,624,253	3,666,443	-	-
Treasury and cheque clearing		275,690	204,026	-	-
Treasury related payables		251,041	298,332	-	-
Sundry creditors and accruals		1,196,619	477,975	370,022	2,853
Provision for reinstatement cost		22,380	22,136	282	278
Provision for bonus and staff related expenses		287,742	233,053	13,252	11,603
Expected credit losses on financial guarantee contracts	(a)	7,625	8,110	-	-
Financial liabilities due to third party investors	(b)	1,433,329	1,242,934	-	-
Settlement accounts		1,466,903	889,467	-	-
Others		707,412	574,917	-	-
		<u>9,511,667</u>	<u>8,022,910</u>	<u>383,597</u>	<u>14,775</u>

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A17 Other liabilities (continued)

Note:

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 2023	6,718	1,392	-	8,110
Changes in ECL due to transfer within stages	(6)	6	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(6)	6	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	37	-	-	37
Financial assets derecognised	(33)	-	-	(33)
Changes due to change in credit risk	(517)	49	-	(468)
Exchange differences	(22)	1	-	(21)
At 30 September 2023	6,177	1,448	-	7,625
At 1 July 2022	3,116	541	-	3,657
Changes in ECL due to transfer within stages	(4)	4	-	-
Transfer to Stage 1	41	(41)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	8,386	-	-	8,386
Financial assets derecognised	(496)	-	-	(496)
Changes due to change in credit risk	(4,839)	833	-	(4,006)
Exchange differences	555	14	-	569
At 30 June 2023	6,718	1,392	-	8,110

(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'.

A18 Interest income

The Group	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Loans, advances and financing	1,576,839	1,250,637	1,576,839	1,250,637
Money at call and deposit placements with financial institutions	60,565	64,404	60,565	64,404
Financial investments at FVOCI	332,622	163,884	332,622	163,884
Financial investments at amortised cost	175,551	175,994	175,551	175,994
Others	13,230	7,164	13,230	7,164
	2,158,807	1,662,083	2,158,807	1,662,083
Of which:				
Interest income earned on impaired loans, advances and financing	12,006	6,919	12,006	6,919

The Company	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Money at call and deposit placements with financial institutions	777	114	777	114
Subordinated obligations	11,728	17,853	11,728	17,853
Multi-currency Additional Tier 1 capital securities	4,759	9,931	4,759	9,931
	17,264	27,898	17,264	27,898

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A19 Interest income for financial assets at FVTPL

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Group	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	40,693	80,718	40,693	80,718

A20 Interest expense

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Group	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	110,016	61,020	110,016	61,020
Deposits from customers	924,696	490,084	924,696	490,084
Short-term placements	155,261	123,909	155,261	123,909
Borrowings	1,437	2,717	1,437	2,717
Subordinated obligations	22,882	23,760	22,882	23,760
Recourse obligations on loans sold to Cagamas Berhad	14,628	4,028	14,628	4,028
Multi-currency Additional Tier 1 capital securities	19,789	20,271	19,789	20,271
Others	2,951	5,203	2,951	5,203
	1,251,660	730,992	1,251,660	730,992

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Company	RM'000	RM'000	RM'000	RM'000
Borrowings	1,451	2,731	1,451	2,731
Subordinated obligations	12,013	18,266	12,013	18,266
Multi-currency Additional Tier 1 capital securities	4,898	10,232	4,898	10,232
Others	48	63	48	63
	18,410	31,292	18,410	31,292

A21 Income from Islamic banking business

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	543,968	417,996	543,968	417,996
Income derived from investment of shareholders' funds	70,665	48,982	70,665	48,982
Income derived from investment of investment accounts	29,125	25,644	29,125	25,644
Income attributable to depositors	(393,762)	(227,233)	(393,762)	(227,233)
Income attributable to depositors on investment accounts	(19,763)	(13,869)	(19,763)	(13,869)
	230,233	251,520	230,233	251,520
Of which:				
Financing income earned on impaired financing and advances	2,381	1,143	2,381	1,143

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A22 Non-interest income

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	Restated 30 September 2022 RM'000	30 September 2023 RM'000	Restated 30 September 2022 RM'000
The Group				
Insurance income	60,458	29,709	60,458	29,709
Brokerage income	13,458	9,473	13,458	9,473
Fee income				
Commissions	50,842	39,146	50,842	39,146
Service charges and fees	6,097	6,397	6,097	6,397
Guarantee fees	7,813	5,456	7,813	5,456
Credit card related fees	57,680	51,677	57,680	51,677
Corporate advisory fees	961	1,400	961	1,400
Commitment fees	9,212	9,531	9,212	9,531
Loans, advances and financing fees	11,100	16,575	11,100	16,575
Placement fees	2,845	3,562	2,845	3,562
Arranger fees	1,140	15	1,140	15
Unit trust fees income	12,061	11,692	12,061	11,692
Other fees income	50,853	65,622	50,853	65,622
	210,604	211,073	210,604	211,073
Net income from securities				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	7,913	11,032	7,913	11,032
- Financial investments at FVOCI	7,279	(394)	7,279	(394)
- Derivative financial instruments	17,169	(65,122)	17,169	(65,122)
Gross dividend income from:				
- Financial assets at FVTPL	24,798	23,812	24,798	23,812
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(7,575)	(32,858)	(7,575)	(32,858)
- Derivative financial instruments	(6,235)	166,934	(6,235)	166,934
Net realised gain/(loss) on fair value changes arising from fair value hedges	2,469	(259)	2,469	(259)
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	2,356	(5,238)	2,356	(5,238)
	48,174	97,907	48,174	97,907
Other income/(expense)				
Foreign exchange gain/(loss)	45,712	(11,178)	45,712	(11,178)
Rental income	3,679	2,516	3,679	2,516
Net gain on disposal of property and equipment	333	348	333	348
Other non-operating income	4,846	285	4,846	285
	54,570	(8,029)	54,570	(8,029)
Total non-interest income	387,264	340,133	387,264	340,133

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A22 Non-interest income (continued)

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Company	RM'000	RM'000	RM'000	RM'000
Fees income				
Management fees and outsourcing fees	2,953	2,573	2,953	2,573
Net income from securities				
Gross dividend income from:				
- Subsidiary companies	538,799	528,874	538,799	528,874
Other income				
Other non-operating income	57	177	57	177
Total non-interest income	541,809	531,624	541,809	531,624

A23 Overhead expenses

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Group	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus and allowances	330,950	303,846	330,950	303,846
- Medical expenses	7,996	7,922	7,996	7,922
- Training and convention expenses	2,487	2,196	2,487	2,196
- Staff welfare	3,192	2,562	3,192	2,562
- Others	11,538	8,347	11,538	8,347
	356,163	324,873	356,163	324,873
Establishment costs				
- Depreciation of property and equipment	28,555	31,171	28,555	31,171
- Depreciation of right-of-use assets	12,423	12,483	12,423	12,483
- Amortisation of intangible assets	18,255	14,952	18,255	14,952
- Rental of premises	498	420	498	420
- Information technology expenses	64,261	60,953	64,261	60,953
- Security services	6,447	4,847	6,447	4,847
- Electricity, water and sewerage	5,867	5,970	5,867	5,970
- Hire of plant and machinery	3,672	3,099	3,672	3,099
- Others	7,733	8,036	7,733	8,036
	147,711	141,931	147,711	141,931
Marketing expenses				
- Advertisement and publicity	2,167	6,392	2,167	6,392
- Sales commission and credit card related fees	33,000	33,483	33,000	33,483
- Others	15,905	13,894	15,905	13,894
	51,072	53,769	51,072	53,769
Administration and general expenses				
- Teletransmission expenses	4,549	5,581	4,549	5,581
- Stationery and printing expenses	2,632	2,815	2,632	2,815
- Professional fees	22,778	24,192	22,778	24,192
- Insurance fees	12,396	9,541	12,396	9,541
- Stamp, postage and courier	3,185	4,165	3,185	4,165
- Credit card fees	24,598	19,169	24,598	19,169
- Travelling and transport expenses	815	740	815	740
- Registration and license fees	3,277	2,562	3,277	2,562
- Brokerage and commission	3,503	2,826	3,503	2,826
- Others	8,525	7,921	8,525	7,921
	86,258	79,512	86,258	79,512
Total overhead expenses	641,204	600,085	641,204	600,085

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A23 Overhead expense (continued)

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Company				
Personnel costs				
- Salaries, bonus and allowances	5,689	5,188	5,689	5,188
- Medical expenses	2	2	2	2
- Training and convention expenses	-	7	-	7
- Staff welfare	165	166	165	166
- Others	727	3,390	727	3,390
	6,583	8,753	6,583	8,753
Establishment costs				
- Depreciation of property and equipment	315	272	315	272
- Depreciation of right-of-use assets	235	235	235	235
- Amortisation of intangible assets	22	10	22	10
- Information technology expenses	61	62	61	62
- Electricity, water and sewerage	11	10	11	10
- Others	39	51	39	51
	683	640	683	640
Administration and general expenses				
- Teletransmission expenses	5	7	5	7
- Stationery and printing expenses	4	5	4	5
- Professional fees	251	250	251	250
- Management fees	533	598	533	598
- Others	108	98	108	98
	901	958	901	958
Total overhead expense	8,167	10,351	8,167	10,351

A24 (Write-back of)/allowance for impairment losses on loans, advances and financing and other losses

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Group				
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	9,636	99,451	9,636	99,451
- Clients' and brokers' balances	(33)	(94)	(33)	(94)
Impaired loans, advances and financing:				
- Written off	6,023	9,194	6,023	9,194
- Recovered from bad debt written off	(66,866)	(71,090)	(66,866)	(71,090)
	(51,240)	37,461	(51,240)	37,461

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A25 Allowance for/(write-back of) impairment losses on other assets

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Group				
Expected credit losses on:				
- Financial investments at FVOCI	207	(45)	207	(45)
- Financial investments at amortised cost	8	(43)	8	(43)
- Other receivables	146	5	146	5
- Cash and short-term funds	112	(91)	112	(91)
- Deposits and placements with banks and other financial institutions	(7)	(168)	(7)	(168)
	<u>466</u>	<u>(342)</u>	<u>466</u>	<u>(342)</u>

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Company				
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(709)	(213)	(709)	(213)

A26 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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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023
Before deducting proposed dividends								
CET 1 capital ratio	10.910%	11.245%	12.591%	13.310%	12.180%	13.000%	38.189%	38.498%
Tier 1 capital ratio	12.006%	12.329%	13.619%	14.353%	13.197%	14.029%	38.189%	38.498%
Total capital ratio	14.541%	14.859%	15.656%	16.399%	15.171%	16.009%	49.224%	48.792%
After deducting proposed dividends								
CET 1 capital ratio	10.910%	11.022%	12.591%	12.824%	12.180%	12.372%	38.189%	35.719%
Tier 1 capital ratio	12.006%	12.106%	13.619%	13.866%	13.197%	13.401%	38.189%	35.719%
Total capital ratio	14.541%	14.635%	15.656%	15.912%	15.171%	15.381%	49.224%	46.013%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 September 2023 RM'000	30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 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	22,753,965	22,843,179	24,159,820	25,017,703	14,895,964	15,727,832	251,607	280,317
Other reserves	889,834	909,389	910,934	947,836	(4,436)	2,905	(11,228)	(4,486)
Qualifying non-controlling interests	7,958,691	7,906,064	-	-	-	-	-	-
Less: Treasury shares	(233,108)	(233,108)	(707,842)	(708,766)	(707,842)	(708,766)	-	-
Less: Other intangible assets	(369,959)	(368,261)	(363,837)	(362,435)	(328,460)	(326,216)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(34,142)	(33,936)
Less: Deferred tax assets	(518,589)	(508,213)	(422,679)	(410,436)	(333,717)	(317,985)	(94,971)	(96,878)
Less: Investment in subsidiary companies/ associated companies	(12,506,362)	(12,125,553)	(8,688,181)	(8,712,976)	(3,939,308)	(3,938,210)	(200)	(200)
Total CET 1 capital	17,895,193	18,344,218	20,795,966	21,678,677	15,549,717	16,407,076	364,016	397,767

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	399,998	399,997	1,698,584	1,698,491	1,698,584	1,698,491	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,397,387	1,368,004	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,797,385	1,768,001	1,698,584	1,698,491	1,698,584	1,698,491	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,797,385	1,768,001	1,698,584	1,698,491	1,298,584	1,298,491	-	-
Total Tier 1 capital	19,692,578	20,112,219	22,494,550	23,377,168	16,848,301	17,705,567	364,016	397,767
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,840,136	1,826,248	1,864,331	1,832,523	1,421,685	1,399,403	5,178	6,356
Subordinated obligations	1,099,993	1,099,990	1,499,133	1,499,089	1,499,133	1,499,089	100,000	100,000
Qualifying non-controlling interests	1,219,120	1,200,465	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,159,249	4,126,703	3,363,464	3,331,612	2,520,818	2,498,492	105,178	106,356
Total capital	23,851,827	24,238,922	25,858,014	26,708,780	19,369,119	20,204,059	469,194	504,123

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023	30 September 2023	30 June 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk [Note]	147,210,845	146,099,832	149,146,475	146,601,855	113,734,792	111,952,229	414,233	508,514
Market risk	6,130,026	6,433,925	5,775,013	6,124,089	5,714,649	6,120,834	212,970	185,018
Operational risk	10,686,172	10,596,687	10,245,349	10,143,761	8,219,348	8,131,845	325,982	339,681
Total RWA	164,027,043	163,130,444	165,166,837	162,869,705	127,668,789	126,204,908	953,185	1,033,213

Note:

In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,515,573,000 (30 June 2023: RM1,588,912,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	30 September 2023	30 June 2023
Before deducting proposed dividends		
CET 1 capital ratio	11.075%	11.423%
Tier 1 capital ratio	12.273%	12.653%
Total capital ratio	14.643%	15.051%
After deducting proposed dividends		
CET 1 capital ratio	11.075%	11.423%
Tier 1 capital ratio	12.273%	12.653%
Total capital ratio	14.643%	15.051%

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A27 Material events subsequent to the end of the financial year

There were no material events subsequent to the end of the financial period ended 30 September 2023.

A28 Changes in composition of the Group

There was no change in the composition of the Group for the current financial period and up to the date of the report.

A29 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.

A30 Commitments and contingencies

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

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

	The Group	
	30 September	30 June
	2023	2023
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	222,049	225,515
Certain transaction related contingent items	2,712,473	2,594,402
Short-term self liquidating trade related contingencies	876,928	1,063,924
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	903,161	917,463
Irrevocable commitments to extend credit:		
- maturity more than one year	16,965,165	17,073,556
- maturity less than one year	28,785,078	26,457,159
Unutilised credit card lines	6,868,298	6,902,344
	57,333,152	55,234,363
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- less than one year	78,725,685	67,555,981
- one year to five years	7,020,111	7,321,941
- over five years	650,787	737,005
Interest rate related contracts:		
- less than one year	47,706,851	46,129,203
- one year to five years	89,573,831	84,573,444
- over five years	3,846,042	4,399,525
Equity related contracts:		
- less than one year	582,382	487,429
- one year to five years	876,714	668,593
Credit related contracts:		
- less than one year	121,729	121,391
- over five years	1,283,655	1,225,853
Commodity related contracts:		
- less than one year	303,298	554,082
	230,691,085	213,774,447
	288,024,237	269,008,810

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A31 Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 September 2023				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	15,031,227	-	15,031,227
- Quoted securities	7,227,597	-	-	7,227,597
- Unquoted securities	-	7,949,500	393,370	8,342,870
Financial investments at FVOCI				
- Money market instruments	-	23,255,117	-	23,255,117
- Quoted securities	5,057,033	-	-	5,057,033
- Unquoted securities	-	10,823,631	97,650	10,921,281
Derivative financial instruments	10,308	1,870,577	65,841	1,946,726
	<u>12,294,938</u>	<u>58,930,052</u>	<u>556,861</u>	<u>71,781,851</u>

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A31 Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 September 2023				
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments	43	2,110,897	62,199	2,173,139
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,802,450	-	3,802,450
	<u>43</u>	<u>5,913,347</u>	<u>62,199</u>	<u>5,975,589</u>
30 June 2023				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	16,937,095	-	16,937,095
- Quoted securities	6,464,089	-	-	6,464,089
- Unquoted securities	-	8,099,338	393,370	8,492,708
Financial investments at FVOCI				
- Money market instruments	-	20,993,658	-	20,993,658
- Quoted securities	4,436,851	-	-	4,436,851
- Unquoted securities	-	10,196,626	97,650	10,294,276
Derivative financial instruments	26,174	2,135,086	74,354	2,235,614
	<u>10,927,114</u>	<u>58,361,803</u>	<u>565,374</u>	<u>69,854,291</u>
<u>Financial liabilities</u>				
Derivative financial instruments	874	2,374,718	71,839	2,447,431
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,564,330	-	3,564,330
	<u>874</u>	<u>5,939,048</u>	<u>71,839</u>	<u>6,011,761</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (30 June 2023: RM Nil).

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A31 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 FVTPL RM'000	Financial investments at FVOCI RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group				
At 1 July 2023	393,370	97,650	74,354	71,839
Fair value changes recognised in statements of income	-	-	7,690	7,690
Purchases	-	-	10,043	8,034
Settlements	-	-	(26,246)	(25,364)
At 30 September 2023	393,370	97,650	65,841	62,199
Fair value changes recognised in statements of income relating to assets held on 30 September 2023	-	-	7,690	7,690
At 1 July 2022	382,663	83,386	104,802	103,510
Fair value changes recognised in statements of income	10,707	-	18,418	18,418
Net fair value changes recognised in other comprehensive income	-	14,264	-	-
Purchases	-	-	57,400	56,257
Settlements	-	-	(106,266)	(106,346)
At 30 June 2023	393,370	97,650	74,354	71,839
Fair value changes recognised in statements of income relating to assets held on 30 June 2023	10,707	-	18,418	18,418
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	-	14,264	-	-

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A32 Financial Effects arising from Adoption of MFRS 17 Insurance Contracts

(i) The adoption of MFRS 17 resulted in the following financial effects to the statements of financial position of the Group

Statements of Financial Position

The Group	30 June 2022 RM'000	Effects of MFRS 17 adoption RM'000	Restated		Effects of MFRS 17 adoption RM'000	Restated	
			01 July 2022 RM'000	30 June 2023 RM'000		01 July 2022 RM'000	30 June 2023 RM'000
Cash and short-term funds	9,605,894	-	9,605,894	9,848,432	-	9,848,432	
Deposits and placements with banks and other financial institutions	1,300,746	-	1,300,746	1,079,574	-	1,079,574	
Financial assets at fair value through and profit or loss	29,470,629	-	29,470,629	31,893,892	-	31,893,892	
Financial investments at fair value through other comprehensive income	27,452,943	-	27,452,943	35,724,785	-	35,724,785	
Financial investments at amortised cost	33,608,857	-	33,608,857	32,332,303	-	32,332,303	
Derivative financial instruments	1,902,169	-	1,902,169	2,235,614	-	2,235,614	
Loans, advances and financing	167,177,303	(295,959)	166,881,344	180,567,415	(254,751)	180,312,664	
Clients' and brokers' balances	722,181	(163,219)	558,962	618,824	(180,536)	438,288	
Other assets	2,431,500	(3,204)	2,428,296	2,677,749	10,138	2,687,887	
Statutory deposits with Central Banks	520,650	-	520,650	3,449,270	-	3,449,270	
Tax recoverable	6,262	-	6,262	4,907	-	4,907	
Deferred tax assets	364,931	(89,683)	275,248	107,874	(107,874)	-	
Investment in associated companies	7,660,825	-	7,660,825	10,050,740	-	10,050,740	
Property and equipment	1,274,380	-	1,274,380	1,214,879	-	1,214,879	
Right-of-use assets	214,355	-	214,355	189,340	-	189,340	
Investment properties	471,610	-	471,610	471,630	-	471,630	
Goodwill arising on consolidation	2,410,644	-	2,410,644	2,410,644	-	2,410,644	
Intangible assets	324,938	-	324,938	387,918	-	387,918	
Total Assets	286,920,817	(552,065)	286,368,752	315,265,790	(533,023)	314,732,767	
Liabilities							
Deposits from customers	197,382,921	-	197,382,921	211,467,443	-	211,467,443	
Investment accounts of customers	2,668,408	-	2,668,408	2,250,513	-	2,250,513	
Deposits and placements of banks and and other financial institutions	8,229,485	-	8,229,485	12,452,060	-	12,452,060	
Obligations on securities sold under repurchase agreements	3,971,304	-	3,971,304	7,399,583	-	7,399,583	
Bills and acceptances payable	241,361	-	241,361	211,431	-	211,431	
Derivative financial instruments	1,765,006	-	1,765,006	2,447,431	-	2,447,431	
Clients' and brokers' balances	306,901	-	306,901	145,393	-	145,393	
Other liabilities	12,001,014	(3,867,210)	8,133,804	12,054,456	(4,031,546)	8,022,910	
Lease liabilities	212,599	-	212,599	192,011	-	192,011	
Recourse obligations on loans/financing sold to Cagamas Berhad	1,623,936	-	1,623,936	2,972,220	-	2,972,220	
Provision for claims	338,005	(338,005)	-	414,347	(414,347)	-	
Provision for taxation	331,101	-	331,101	58,141	-	58,141	
Deferred tax liabilities	-	-	-	-	8,022	8,022	
Borrowings	411,931	-	411,931	201,936	-	201,936	
Subordinated obligations	2,207,083	-	2,207,083	2,206,650	-	2,206,650	
Multi-currency Additional Tier 1 capital securities	1,715,849	-	1,715,849	1,719,630	-	1,719,630	
Insurance funds	17,524,189	3,239,978	20,764,167	19,442,911	3,392,209	22,835,120	
Total Liabilities	250,931,093	(965,237)	249,965,856	275,636,156	(1,045,662)	274,590,494	
Equity							
Share capital	2,267,008	-	2,267,008	2,267,008	-	2,267,008	
Reserves	22,244,622	289,747	22,534,369	24,757,812	359,737	25,117,549	
Treasury shares for ESS	(236,039)	-	(236,039)	(233,108)	-	(233,108)	
Total Shareholders' Equity	24,275,591	289,747	24,565,338	26,791,712	359,737	27,151,449	
Non-controlling interests	11,714,133	123,425	11,837,558	12,837,922	152,902	12,990,824	
Total Equity	35,989,724	413,172	36,402,896	39,629,634	512,639	40,142,273	
Total Liabilities and Equity	286,920,817	(552,065)	286,368,752	315,265,790	(533,023)	314,732,767	

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A32 Financial Effects arising from Adoption of MFRS 17 Insurance Contracts (continued)

(ii) The adoption of MFRS 17 resulted in the following financial effects to the statements of comprehensive income of the Group

Statements of Comprehensive Income

	30 September 2022 RM'000	Effects of MFRS 17 adoption RM'000	Restated 30 September 2022 RM'000
The Group			
Interest income	1,662,083	-	1,662,083
Interest income for financial assets at fair value through profit or loss	80,718	-	80,718
Interest expense	(731,165)	173	(730,992)
Net interest income	<u>1,011,636</u>	<u>173</u>	<u>1,011,809</u>
Income from Islamic banking business	251,520	-	251,520
	<u>1,263,156</u>	<u>173</u>	<u>1,263,329</u>
Non-interest income	381,979	(41,846)	340,133
Net income	<u>1,645,135</u>	<u>(41,673)</u>	<u>1,603,462</u>
Overhead expenses	(621,079)	20,994	(600,085)
Operating profit before allowances	<u>1,024,056</u>	<u>(20,679)</u>	<u>1,003,377</u>
Allowance for impairment losses on loans, advances and financing and other losses	(37,461)	-	(37,461)
Writeback of impairment losses on other assets	342	-	342
	986,937	(20,679)	966,258
Share of results of associated companies	275,281	-	275,281
Profit before taxation	1,262,218	(20,679)	1,241,539
Taxation	(223,123)	2,783	(220,340)
Net profit for the financial period	<u>1,039,095</u>	<u>(17,896)</u>	<u>1,021,199</u>
Attributable to:			
Owners of the parent	681,740	(12,266)	669,474
Non-controlling interests	357,355	(5,630)	351,725
	<u>1,039,095</u>	<u>(17,896)</u>	<u>1,021,199</u>

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM1,352 million for the current quarter ended 30 September 2023 as compared to RM1,242 million in the previous corresponding quarter (restated), an increase of RM110 million or 9%. The increase was contributed from all operating divisions.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM1,243 million for the current quarter ended 30 September 2023 as compared to RM1,187 million in the previous corresponding quarter, an increase of RM56 million or 5%. The increase was mainly due to higher share of profit from associated company which has increased by RM89 million and net written back for impairment losses on loans, advances & financing of RM89 million. This was offset by lower revenue of RM106 million and higher operating expenses of RM17 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM88 million for the current quarter ended 30 September 2023 as compared to RM47 million in the previous corresponding quarter (restated), an increase of RM41 million or 88%. The increase was mainly due to higher revenue of RM48 million and higher share of profit from associated company of RM13 million. This was offset by higher operating expenses of RM20 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM27 million for the current quarter ended 30 September 2023 as compared to RM21 million in the previous corresponding quarter, an increase of RM6 million or 32%. The increase was mainly due to fair value gain in investment and higher contribution from investment banking & stockbroking divisions.

B2 Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,352 million for the current quarter ended 30 September 2023 as compared to RM1,131 million in the preceding quarter (restated), an increase of RM221 million or 20%. The increase was contributed from all operating divisions.

HLB recorded a profit before tax of RM1,243 million for the current quarter ended 30 September 2023 as compared to RM1,040 million in the preceding quarter, an increase of RM203 million or 20%. The increase was mainly due to higher revenue of RM91 million, net written back for impairment losses on loans, advances and financing of RM65 million, lower operating expenses of RM31 million and higher share of profit from associated company which has increased by RM16 million.

HLAH recorded a profit before tax of RM88 million for the current quarter ended 30 September 2023 as compared to RM119 million in the preceding quarter (restated), a decrease of RM31 million or 26%. The decrease was mainly due to lower revenue of RM42 million and lower life fund surplus of RM3 million. This was offset by higher share of profit from associated company of RM7 million and lower operating expenses of RM7 million.

HLCB recorded a profit before tax of RM27 million for the current quarter ended 30 September 2023 as compared to RM9 million in the preceding quarter, an increase of RM18 million or 209%. This was mainly due to higher contribution from across all operating divisions.

B3 Prospects for the current financial year

Global economy growth continues to be sluggish, amidst elevated cost of living and slowdown in China's economy weighed down by its property market distresses. This is compounded by escalation in regional armed conflicts driving volatility in financial markets and commodities prices. The IMF projected global economic growth to be slower by 2.9% in 2024. Despite a weaker external trade outlook, Malaysia's economy is expected to sustain a growth of 4%-5% in 2024 underpinned by resilient domestic demand, primarily driven by stable household spending supported by a healthy labour market and benign inflation conditions. Malaysia announced a mildly expansionary Budget 2024 to counter slowing growth from global headwinds balancing spending priorities, subsidy rationalization and fiscal consolidation. Given the external headwinds, we maintain a cautious outlook for the financial year and shall remain vigilant and be prepared to navigate a challenging business environment.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B4 Variance in profit forecast and shortfall in profit guarantee

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

B5 Taxation

	1st Quarter Ended		Three Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
The Group				
	RM'000	RM'000	RM'000	RM'000
Income tax	225,910	220,183	225,910	220,183
Prior period over/under provision	(1,982)	6	(1,982)	6
	<u>223,928</u>	<u>220,189</u>	<u>223,928</u>	<u>220,189</u>
Transfer from deferred tax	13,424	151	13,424	151
	<u>237,352</u>	<u>220,340</u>	<u>237,352</u>	<u>220,340</u>
The Company				
	RM'000	RM'000	RM'000	RM'000
Income tax	85	89	85	89
Transfer to deferred tax	(41)	-	(41)	-
	<u>44</u>	<u>89</u>	<u>44</u>	<u>89</u>

The Company's effective tax rate for the current financial period was lower than the statutory tax rate of 24% due to certain income was not subjected to tax.

B6 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.

B7 Borrowings

	The Group		The Company	
	30 September 2023	30 June 2023	30 September 2023	30 June 2023
Unsecured				
Senior notes	200,546	201,936	200,543	201,919
	<u>200,546</u>	<u>201,936</u>	<u>200,543</u>	<u>201,919</u>
Repayment of senior notes				
- One to three years	200,546	201,936	200,543	201,919
	<u>200,546</u>	<u>201,936</u>	<u>200,543</u>	<u>201,919</u>

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B8 Subordinated obligations

	Note	The Group		The Company	
		30 September 2023 RM'000	30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,597	4,710	-	-
		604,597	604,710	-	-
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,100,000	1,100,000
Add: Interest payable		20,109	2,867	14,125	2,203
		1,620,109	1,602,867	1,114,125	1,102,203
Less: Unamortised discounts		(902)	(927)	(253)	(344)
		1,619,207	1,601,940	1,113,872	1,101,859
		2,223,804	2,206,650	1,113,872	1,101,859

Note:

(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 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 HLB, a subsidiary of the Company. On 26 June 2023, the Company had fully redeemed the RM500.0 million nominal value of this Sub-Notes.

On 14 June 2019, the Company had issued an unsecured RM1.1 billion 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 4.30% 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 RM1.0 billion and RM100.0 million Tier 2 subordinated notes issued by HLB and HLIB respectively, the subsidiary companies of the Company.

On 19 June 2023, HLB issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency subordinated notes programme. The Sub-Notes carry a distribution rate of 4.20% per annum with a tenure of 10 years non-callable 5 years.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B9 Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	30 September 2023 RM'000	30 June 2023 RM'000	30 September 2023 RM'000	30 June 2023 RM'000
Multi-currency Additional Tier 1 capital securities, at par	1,700,000	1,700,000	400,000	400,000
Add: Interest payable	26,041	16,005	105	4,965
	<u>1,726,041</u>	<u>1,716,005</u>	<u>400,105</u>	<u>404,965</u>
Less: Unamortised discounts	(1,457)	(1,490)	(75)	(114)
Add: Fair value changes arising from fair value hedges	2,820	5,115	-	-
	<u>1,727,404</u>	<u>1,719,630</u>	<u>400,030</u>	<u>404,851</u>

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

On 30 November 2022, the Company had fully redeemed the RM400.0 million nominal value of this Capital Securities.

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

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), out of its multi-currency 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.

On 14 October 2022, HLB issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency Additional Tier 1 capital securities programme. The Capital Securities carry a distribution rate of 4.70% per annum are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B10 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2023

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	62,486,428	622,207	(530,601)
(ii) 1 year to 3 years	1,343,730	30,476	(306)
(iii) More than 3 years	1,134,526	9,529	(2,523)
- Swaps			
(i) Less than 1 year	9,035,835	126,641	(183,626)
(ii) 1 year to 3 years	3,534,119	86,285	(191,084)
(iii) More than 3 years	1,627,621	46,806	(85,377)
- Options			
(i) Less than 1 year	7,203,422	33,296	(28,232)
(ii) 1 year to 3 years	30,902	489	(396)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	3,494,733	13,906	(964)
(ii) 1 year to 3 years	2,071,000	13,211	(4,487)
(iii) More than 3 years	1,574,000	6,158	(8,277)
- Swaps			
(i) Less than 1 year	44,212,118	52,406	(72,145)
(ii) 1 year to 3 years	37,654,542	262,448	(266,631)
(iii) More than 3 years	52,120,331	494,133	(653,493)
Equity related contracts			
(i) Less than 1 year	582,382	13,693	(12,384)
(ii) 1 year to 3 years	144,817	4,737	(3,713)
(iii) More than 3 years	731,897	42,726	(41,350)
Credit related contracts			
(i) Less than 1 year	121,729	2,141	(2,141)
(ii) More than 3 years	1,283,655	85,025	(85,025)
Commodity related contracts			
(i) Less than 1 year	303,298	413	(384)
Total	230,691,085	1,946,726	(2,173,139)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B10 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2023

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	51,917,953	981,716	(859,034)
(ii) 1 year to 3 years	1,163,191	24,923	(313)
(iii) More than 3 years	1,183,787	10,058	(3,855)
- Swaps			
(i) Less than 1 year	7,805,019	77,019	(172,815)
(ii) 1 year to 3 years	4,002,015	108,116	(194,273)
(iii) More than 3 years	1,622,660	52,454	(84,160)
- Options			
(i) Less than 1 year	7,833,009	45,087	(33,282)
(ii) 1 year to 3 years	87,293	1,855	(633)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,918,647	27,463	(1,905)
(ii) 1 year to 3 years	1,901,000	11,927	(4,606)
(iii) More than 3 years	1,601,000	10,227	(8,156)
- Swaps			
(i) Less than 1 year	41,210,556	39,649	(70,619)
(ii) 1 year to 3 years	34,984,278	193,875	(216,977)
(iii) More than 3 years	50,486,691	493,482	(641,588)
Equity related contracts			
(i) Less than 1 year	487,429	6,950	(6,838)
(ii) 1 year to 3 years	102,756	8,311	(7,258)
(iii) More than 3 years	565,837	48,755	(47,383)
Credit related contracts			
(i) Less than 1 year	121,391	6,477	(6,477)
(ii) More than 3 years	1,225,853	86,128	(86,128)
Commodity related contracts			
(i) Less than 1 year	554,082	1,142	(1,131)
Total	213,774,447	2,235,614	(2,447,431)

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 RM540,600,000 (30 June 2023: RM522,107,000) and RM136,920,354,000 (30 June 2023: RM131,760,483,000) 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.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B10 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 RM2,173,044,000 (30 June 2023: RM2,489,863,000). 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.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B10 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.

B11 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.

B12 Dividend declared

No dividend has been declared for the current financial quarter ended 30 September 2023.

B13 Earnings per share

(a) Basic earnings per share

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

	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Group				
Net profit attributable to equity holders	741,645	669,474	741,645	669,474
Weighted average number of ordinary shares ('000)	1,134,102	1,133,945	1,134,102	1,133,945
Basic earnings per share (sen)	65.4	59.0	65.4	59.0
	1st Quarter Ended		Three Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
The Company				
Net profit attributable to equity holders equity holders	533,161	518,003	533,161	518,003
Weighted average number of ordinary shares ('000)	1,138,194	1,138,037	1,138,194	1,138,037
Basic earnings per share (sen)	46.8	45.5	46.8	45.5

(b) Diluted earnings per share

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

Dated this 30 November 2023