

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	<u>The Group</u>		<u>The Company</u>	
		31 March 2024 RM'000	Restated 30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000
Assets					
Cash and short-term funds		7,170,534	9,848,432	6,157	65,246
Deposits and placements with banks and other financial institutions		1,767,333	1,079,574	133,360	67,860
Securities purchased under resale agreements		199,138	-	-	-
Financial assets at fair value through profit or loss	A9	31,769,289	31,893,892	368,989	-
Financial investments at fair value through other comprehensive income	A10	42,064,717	35,724,785	-	-
Financial investments at amortised cost	A11	33,674,491	32,332,303	-	-
Derivative financial instruments	B10	1,494,929	2,235,614	-	-
Loans, advances and financing	A12	186,449,335	180,312,664	-	-
Clients' and brokers' balances		643,092	438,288	-	-
Other assets	A13	3,228,167	2,687,887	1,864	2,250
Statutory deposits with Central Banks		3,379,393	3,449,270	-	-
Tax recoverable		9,563	4,907	124	464
Deferred tax assets		-	-	168	203
Investment in subsidiary companies		-	-	18,167,890	18,558,876
Investment in associated companies		10,962,607	10,050,740	-	-
Property and equipment		1,174,916	1,214,879	4,780	5,341
Right-of-use assets		186,672	189,340	2,429	3,135
Investment properties		471,630	471,630	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		385,206	387,918	80	137
Total Assets		327,441,656	314,732,767	18,685,841	18,703,512
Liabilities					
Deposits from customers	A14	211,978,891	211,467,443	-	-
Investment accounts of customers	A15	2,518,028	2,250,513	-	-
Deposits and placements of banks and other financial institutions	A16	13,549,312	12,452,060	-	-
Obligations on securities sold under repurchase agreements		12,488,394	7,399,583	-	-
Bills and acceptances payable		257,673	211,431	-	-
Derivative financial instruments	B10	1,754,016	2,447,431	-	-
Clients' and brokers' balances		253,135	145,393	-	-
Other liabilities	A17	8,479,457	8,022,910	11,219	14,775
Lease liabilities		189,417	192,011	2,649	3,353
Recourse obligations on loans/financing sold to Cagamas Berhad		3,276,723	2,972,220	-	-
Provision for taxation		167,955	58,141	-	-
Deferred tax liabilities		365,403	8,022	-	-
Borrowings	B7	608,832	201,936	200,556	201,919
Subordinated obligations	B8	2,223,813	2,206,650	1,114,052	1,101,859
Multi-currency Additional Tier 1 capital securities	B9	1,729,177	1,719,630	-	404,851
Insurance funds	A32	24,513,130	22,835,120	-	-
Total Liabilities		284,353,356	274,590,494	1,328,476	1,726,757
Equity					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		27,191,165	25,117,549	15,262,151	14,884,472
Treasury shares for ESS		(230,177)	(233,108)	(171,794)	(174,725)
Total Shareholders' Equity		29,227,996	27,151,449	17,357,365	16,976,755
Non-controlling interests		13,860,304	12,990,824	-	-
Total Equity		43,088,300	40,142,273	17,357,365	16,976,755
Total Liabilities and Equity		327,441,656	314,732,767	18,685,841	18,703,512
Commitments and Contingencies	A30	353,953,227	269,008,810	-	-
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)		25.77	23.94	15.25	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 31 MARCH 2024

The Group	Note	3rd Quarter Ended		Nine Months Ended	
		31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
Interest income	A18	2,225,921	1,929,916	6,600,991	5,494,521
Interest income for financial assets at fair value through profit or loss	A19	50,320	39,534	134,370	181,086
Interest expense	A20	(1,284,611)	(1,092,849)	(3,820,027)	(2,807,341)
Net interest income		991,630	876,601	2,915,334	2,868,266
Income from Islamic banking business	A21	254,450	208,898	726,034	733,737
		1,246,080	1,085,499	3,641,368	3,602,003
Non-interest income	A22	452,736	550,517	1,284,440	1,383,458
Net income		1,698,816	1,636,016	4,925,808	4,985,461
Overhead expenses	A23	(652,001)	(621,437)	(1,900,117)	(1,828,935)
Operating profit before allowances		1,046,815	1,014,579	3,025,691	3,156,526
Write-back of/(allowance for) impairment losses on loans, advances and financing and other losses	A24	26,391	(38,181)	83,211	(100,882)
(Allowance for)/write-back of impairment losses on other assets	A25	(724)	124	(1,170)	(502)
Operating profit after allowances		1,072,482	976,522	3,107,732	3,055,142
Share of results of associated companies		412,751	341,289	1,260,338	1,003,453
Profit before taxation		1,485,233	1,317,811	4,368,070	4,058,595
Taxation and zakat	B5	(261,681)	(216,925)	(784,003)	(720,377)
Net profit for the financial period		1,223,552	1,100,886	3,584,067	3,338,218
Net profit for the financial period attributable to:					
Owners of the parent		818,065	735,972	2,391,576	2,216,942
Non-controlling interests		405,487	364,914	1,192,491	1,121,276
		1,223,552	1,100,886	3,584,067	3,338,218
Earnings per share attributable to equity holders of the Company - basic (sen)		72.1	64.9	210.9	195.5

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 31 MARCH 2024

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
The Group				
Net profit for the financial period	1,223,552	1,100,886	3,584,067	3,338,218
Other comprehensive income:				
(i) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive income/(loss) of associated companies	-	766	32,860	(855)
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	50,205	249,744	324,600	382,158
- Changes in expected credit losses	987	151	1,148	278
(c) Net fair value changes in cash flow hedge	-	-	-	362
(d) Currency translation differences	127,121	150,296	106,680	(88,200)
(e) Income tax relating to components of other comprehensive income	(12,810)	(41,209)	(70,537)	(78,076)
Other comprehensive income for the financial period, net of tax	165,503	359,748	394,751	215,667
Total comprehensive income for the financial period	1,389,055	1,460,634	3,978,818	3,553,885
Total comprehensive income for the financial period attributable to:				
Owners of the parent	928,277	973,382	2,654,942	2,362,740
Non-controlling interests	460,778	487,252	1,323,876	1,191,145
	1,389,055	1,460,634	3,978,818	3,553,885

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 31 MARCH 2024

		3rd Quarter Ended		Nine Months Ended	
		31 March 2024	31 March 2023	31 March 2024	31 March 2023
The Company	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	19,229	22,713	54,837	77,328
Interest expense	A20	(18,906)	(24,134)	(56,295)	(84,819)
Net interest income/(expense)		323	(1,421)	(1,458)	(7,491)
Non-interest income	A22	339,865	285,244	973,178	893,884
Net income		340,188	283,823	971,720	886,393
Overhead expenses	A23	(8,184)	(7,543)	(24,331)	(26,053)
Write-back of/(allowance for) impairment losses on other assets	A25	726	(423)	2,147	780
Profit before taxation		332,730	275,857	949,536	861,120
Taxation	B5	(235)	170	(375)	22
Net profit for the financial period		332,495	276,027	949,161	861,142
Earnings per share attributable to equity holders of the Company - basic (sen)		29.2	24.3	83.4	75.7

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
The Company	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	332,495	276,027	949,161	861,142
Other comprehensive income for the financial period, net of tax	-	-	-	-
Total comprehensive income for the financial period	332,495	276,027	949,161	861,142

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 31 MARCH 2024

<u>The Group</u>	← 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
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
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
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	2,391,576	-	2,391,576	1,192,491	3,584,067
Currency translation differences	-	-	-	-	-	-	71,006	-	-	71,006	35,674	106,680
Share of other comprehensive loss of associated companies	-	-	24,867	-	-	-	-	-	-	24,867	7,993	32,860
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	166,734	-	-	-	-	-	-	166,734	87,329	254,063
- Changes in expected credit losses	-	-	759	-	-	-	-	-	-	759	389	1,148
Total comprehensive income	-	-	192,360	-	-	-	71,006	2,391,576	-	2,654,942	1,323,876	3,978,818
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	186,279	-	-	-	-	-	(186,279)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(5,872)	-	(5,872)	5,872	-
Dividends paid	-	-	-	-	-	-	-	(569,125)	-	(569,125)	(466,361)	(1,035,486)
Options charge arising from executive share scheme	-	-	-	-	-	574	-	-	-	574	-	574
Options write-back arising from ESS lapsed	-	-	-	-	-	2,121	-	-	-	2,121	-	2,121
Exercised of executive share scheme	-	-	-	-	-	(18,617)	-	9,593	2,931	(6,093)	6,093	-
At 31 March 2024	2,267,008	1,202,769	(125,645)	-	213,314	19,580	1,038,338	24,842,809	(230,177)	29,227,996	13,860,304	43,088,300

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 31 MARCH 2024

<u>The Group</u>	← Attributable to owner of the parent →											Total equity RM'000
	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	
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
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
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	-	2,216,942	-	2,216,942	1,121,276	3,338,218
Currency translation differences	-	-	-	-	-	-	(55,793)	-	-	(55,793)	(32,407)	(88,200)
Share of other comprehensive loss of associated companies	-	-	789	-	-	-	-	-	-	789	(1,644)	(855)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	200,436	-	-	-	-	-	-	200,436	103,729	304,165
- Changes in expected credit losses	-	-	181	-	-	-	-	-	-	181	97	278
Net fair value changes in cash flow hedge	-	-	-	185	-	-	-	-	-	185	94	279
Total comprehensive income/(loss)	-	-	201,406	185	-	-	(55,793)	2,216,942	-	2,362,740	1,191,145	3,553,885
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	219,808	-	-	-	-	-	(219,808)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	690	-	690	(690)	-
Dividends paid	-	-	-	-	-	-	-	(546,285)	-	(546,285)	(431,723)	(978,008)
Options charge arising from executive share scheme	-	-	-	-	-	(11,929)	-	-	-	(11,929)	-	(11,929)
Exercised of executive share scheme	-	-	-	-	-	(15,220)	-	8,633	2,931	(3,656)	4,924	1,268
At 31 March 2023	2,267,008	886,342	(339,905)	-	213,314	33,717	851,821	22,687,709	(233,108)	26,366,898	12,601,214	38,968,112

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM1,188,673,000 (31 Mar 2023: RM875,097,000) 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 RM14,096,000 (31 March 2023: 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 31 MARCH 2024

	← Non-distributable →			Distributable		Total equity RM'000
	Share capital RM'000	Other capital reserve RM'000	Share options reserve RM'000	Treasury shares for ESS RM'000	Retained profits RM'000	
The Company						
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	-	-	-	-	949,161	949,161
Dividends paid	-	-	-	-	(569,125)	(569,125)
Options charge arising from executive share scheme	-	-	574	-	-	574
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 March 2024	2,267,008	254,991	-	(171,794)	15,007,160	17,357,365
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	-	-	-	-	861,142	861,142
Dividends paid	-	-	-	-	(546,285)	(546,285)
Options charge arising from executive share scheme	-	-	2,137	-	-	2,137
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 March 2023	2,267,008	254,991	1,952	(174,725)	14,630,445	16,979,671

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 31 MARCH 2024

	The Group		The Company	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
Cash flows from operating activities				
Profit before taxation	4,368,070	4,058,595	949,536	861,120
Adjustment for non-cash items	(2,926,496)	(247,957)	(961,713)	(874,918)
Operating profit/(loss) before working capital changes	1,441,574	3,810,638	(12,177)	(13,798)
Income tax paid	(582,459)	(899,163)	-	-
Interest received	5,711	1,439	5,711	1,439
Changes in working capital:				
Net changes in operating assets	(6,642,102)	(8,029,714)	(433,931)	(97)
Net changes in operating liabilities	8,561,805	10,717,550	(3,579)	(3,500)
Net cash generated from/(used in) operating activities	2,784,529	5,600,750	(443,976)	(15,956)
Cash flows from investing activities				
Net purchases of financial investments at FVOCI	(6,068,216)	(3,666,200)	-	-
Net (purchases)/disposal of financial investments at amortised cost	(1,342,190)	1,634,610	-	-
Interest received on financial investments at FVOCI				
and financial investments at amortised cost	1,609,251	1,163,341	-	-
Purchase of intangible assets	(14,923)	(23,584)	(8)	(136)
Purchase of property and equipment	(71,207)	(107,972)	(381)	(1,739)
Net proceeds from disposal of property and equipment	2,251	512	-	113
Dividends received from other investments	59,890	65,224	1,805	-
Dividends received from subsidiary companies	-	-	961,334	885,303
Proceeds from redemption of Multi-currency AT1 capital securities	-	-	400,000	400,000
Interest received from investment in debt instrument issued by subsidiary company				
- Interest on Multi-currency AT1 capital securities	-	-	18,932	29,224
- Interest on subordinated obligations	-	-	23,329	35,512
Net cash (used in)/generated from investing activities	(5,825,144)	(934,069)	1,405,011	1,348,277
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(569,125)	(546,285)	(569,125)	(546,284)
Dividends paid to non-controlling interests	(466,361)	(431,723)	-	-
Repayment of lease liabilities	(9,005)	(10,382)	(704)	(668)
Repayment of revolving credit	-	(100,000)	-	(100,000)
Repayment of commercial papers	-	(110,000)	-	(110,000)
Repayment of Multi-currency AT1 capital securities	(400,000)	(400,000)	(400,000)	(400,000)
Proceeds from senior notes	405,000	-	-	-
Proceeds from Multi-currency AT1 capital securities	400,000	400,000	-	-
Proceeds from recourse obligations on loans/financing sold to Cagamas Berhad	300,000	2,300,000	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(901)	(962,937)	-	-
Interest paid on Multi-currency AT1 capital securities	(59,424)	(29,826)	(19,333)	(29,826)
Interest paid on subordinated obligations	(52,082)	(53,184)	(23,715)	(36,074)
Interest paid on borrowings	(6,009)	(8,217)	(7,130)	(8,216)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(88,194)	(34,706)	-	-
Interest paid on lease liabilities	(6,412)	(6,670)	(117)	(153)
Net cash (used in)/generate from financing activities	(552,513)	6,070	(1,020,124)	(1,231,221)
Net (decrease)/increase in cash and cash equivalents	(3,593,128)	4,672,751	(59,089)	101,100
Effects of exchange rate changes	106,680	(55,793)	-	-
Cash and cash equivalents at beginning of the financial year	10,116,501	9,605,894	65,306	26,669
Cash and cash equivalents at end of financial period	6,630,053	14,222,852	6,217	127,769
Analysis of cash and cash equivalents				
Cash and short-term funds	7,170,534	13,156,731	6,157	9,209
Deposits and placements with banks and other financial institutions	1,767,333	1,728,400	133,360	121,860
	8,937,867	14,885,131	139,517	131,069
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(2,307,814)	(662,279)	(133,300)	(3,300)
	6,630,053	14,222,852	6,217	127,769

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 31 MARCH 2024

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 adoption 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 cyclicity 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.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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, a total of 156,402 grant shares were vested and transferred.

As at 31 March 2024, the total number of Treasury Shares for ESS is 9,166,790 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM171,794,115.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 March 2024 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, approximately amounting to RM364,172,000, in respect of the financial year ended 30 June 2023 paid on 23 November 2023.

A interim single-tier dividend of 18.0 sen per share, approximately amounting to RM204,953,000, in respect of the financial year ended 30 June 2024 paid on 27 March 2024.

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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
31 March 2024						
Revenue						
External revenue	4,277,923	176,573	456,294	15,018	-	4,925,808
Inter-segment revenue	16,486	667	36,830	956,702	(1,010,685)	-
Segment revenue	<u>4,294,409</u>	<u>177,240</u>	<u>493,124</u>	<u>971,720</u>	<u>(1,010,685)</u>	<u>4,925,808</u>
Results						
Segment results	2,665,645	73,945	379,463	949,531	(960,852)	3,107,732
Share of results of associated companies						<u>1,260,338</u>
Profit before taxation						4,368,070
Taxation						<u>(784,003)</u>
Net profit for the financial period						3,584,067
Non-controlling interests						<u>(1,192,491)</u>
Profit attributable to owners of the parent						<u><u>2,391,576</u></u>
Other information						
Segment assets	291,150,320	4,956,167	31,440,101	18,685,853	(18,790,785)	<u>327,441,656</u>
Segment liabilities	254,912,702	3,965,699	26,182,198	1,330,122	(2,037,365)	<u>284,353,356</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A8 Segmental reporting (continued)

The Group	Restated					Consolidated RM'000
	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	
31 March 2023						
Revenue						
External revenue	4,361,519	152,853	478,854	(7,765)	-	4,985,461
Inter-segment revenue	20,828	(71)	1,898	874,762	(897,417)	-
Segment revenue	<u>4,382,347</u>	<u>152,782</u>	<u>480,752</u>	<u>866,997</u>	<u>(897,417)</u>	<u>4,985,461</u>
Results						
Segment results	2,635,309	52,550	391,373	861,115	(885,205)	3,055,142
Share of results of associated companies						<u>1,003,453</u>
Profit before taxation						4,058,595
Taxation						<u>(720,377)</u>
Net profit for the financial period						3,338,218
Non-controlling interests						<u>(1,121,276)</u>
Profit attributable to owners of the parent						<u><u>2,216,942</u></u>
Other information						
Segment assets	269,407,883	4,305,952	28,922,171	19,215,109	(19,576,440)	<u><u>302,274,675</u></u>
Segment liabilities	236,476,237	3,349,605	23,983,487	2,237,058	(3,004,422)	<u><u>263,041,965</u></u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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

	The Group	
	31 March 2024 RM'000	30 June 2023 RM'000
Money market instruments		
Bank Negara Malaysia bills	-	1,197,414
Government treasury bills	139,804	620,126
Malaysian Government securities	4,537,103	4,310,150
Malaysian Government investment certificates	1,413,544	2,471,760
Negotiable instruments of deposit	2,034,818	1,856,476
Cagamas bonds	102,373	15,078
Other Government securities	6,810,769	6,466,091
	15,038,411	16,937,095
Quoted securities		
Shares in Malaysia	6,543,059	5,143,592
Shares outside Malaysia	666,976	590,260
Wholesale fund/unit trust investments	1,086,888	724,832
Portfolio Investment Accounts [Note]	879	1,282
Foreign currency bonds in Malaysia	150,735	-
Foreign currency bonds outside Malaysia	13,665	-
Investment-linked funds	255	456
Loan stocks	2,806	1,773
Warrants in Malaysia	1,069	1,894
	8,466,332	6,464,089
Unquoted securities		
Shares in Malaysia	393,370	393,371
Foreign currency bonds in Malaysia	113,066	37,281
Foreign currency bonds outside Malaysia	9,566	9,279
Corporate bonds and sukuk	7,650,251	7,941,807
Perpetual bonds	98,293	85,970
Redeemable preference shares	-	25,000
	8,264,546	8,492,708
Total financial assets at FVTPL	31,769,289	31,893,892

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.

	The Company	
	As at 31/03/2024 RM'000	As at 30/06/2023 RM'000
Quoted securities		
Unit trust investments	368,989	-

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

		The Group	
		31 March 2024 RM'000	30 June 2023 RM'000
At fair value			
Debt instruments	(a)	41,967,067	35,627,135
Equity instruments	(b)	97,650	97,650
		42,064,717	35,724,785

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
(a) Debt instruments		
Money market instruments		
Government treasury bills	2,923,645	1,820,701
Malaysian Government securities	5,678,926	4,707,923
Malaysian Government investment certificates	13,165,826	10,175,143
Negotiable instruments of deposit	201,125	1,306,322
Khazanah bonds	277,239	363,416
Cagamas bonds	2,970,421	2,620,153
	<u>25,217,182</u>	<u>20,993,658</u>
Quoted securities		
Government sukuk	887,012	860,644
Foreign currency bonds in Malaysia	2,168,251	1,873,035
Foreign currency bonds outside Malaysia	2,434,519	1,703,172
	<u>5,489,782</u>	<u>4,436,851</u>
Unquoted securities		
Government sukuk	-	30,768
Corporate bonds and sukuk	9,146,041	8,913,211
Foreign currency bonds in Malaysia	1,068,519	847,674
Foreign currency bonds outside Malaysia	1,045,543	404,973
	<u>11,260,103</u>	<u>10,196,626</u>
	<u>41,967,067</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	
	12 months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
The Group		RM'000	RM'000	RM'000
At 1 July 2023	2,275	-	18,227	20,502
New financial assets originated or purchased	1,774	-	-	1,774
Financial assets derecognised	(1,016)	-	-	(1,016)
Changes due to change in credit risk	374	-	-	374
Exchange differences	23	-	117	140
At 31 March 2024	<u>3,430</u>	<u>-</u>	<u>18,344</u>	<u>21,774</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	
	31 March	30 June
	2024	2023
	RM'000	RM'000
(b) Equity instruments		
Unquoted securities		
Shares in Malaysia	<u>97,650</u>	<u>97,650</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A11 Financial investments at amortised cost

	The Group	
	31 March 2024 RM'000	30 June 2023 RM'000
Money market instruments		
Government treasury bills	61,095	60,676
Malaysian Government securities	6,622,208	6,024,655
Malaysian Government investment certificates	24,361,703	23,487,152
Cagamas bonds	1,653,758	1,658,260
Khazanah bonds	14,785	14,393
Other Government securities	367,100	421,343
	<u>33,080,649</u>	<u>31,666,479</u>
Quoted securities		
Foreign currency bonds outside Malaysia	-	19,117
	<u>-</u>	<u>19,117</u>
Unquoted securities		
Government sukuk	-	30,611
Corporate bonds and sukuk	593,860	616,114
	<u>593,860</u>	<u>646,725</u>
Less: Expected credit losses	(18)	(18)
Total financial investments at amortised cost	<u>33,674,491</u>	<u>32,332,303</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
At 1 July 2023	18	-	-	18
Changes due to change in credit risk	2	-	-	2
Exchange differences	(2)	-	-	(2)
At 31 March 2024	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
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	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A12 Loans, advances and financing

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	RM'000
Overdrafts	3,703,469	4,077,891
Term loans/financing:		
- Housing and shop loans/financing	101,925,742	97,387,797
- Hire purchase receivables	21,531,641	19,914,072
- Ijarah receivables	244,956	249,054
- Other term loans/financing and syndicated term loans	36,402,611	35,475,855
Credit/charge card receivables	3,420,042	3,202,663
Bills receivable	1,959,330	1,936,868
Trust receipts	262,559	441,074
Claims on customers under acceptance credits	8,396,426	8,936,884
Revolving credits	10,149,768	10,339,502
Staff loans/financing	122,466	125,080
Other loans/financing	-	126
Gross loans, advances and financing	<u>188,119,010</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	(10,559)	(14,700)
Allowance for impairment losses:		
- Expected credit losses	(1,659,116)	(1,759,502)
Total net loans, advances and financing	<u>186,449,335</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 RM3,159,978,000 (30 June 2023: RM2,917,197,000).

(a) By type of customers

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	RM'000
Domestic non-bank financial institutions	2,011,701	2,258,897
Domestic business enterprises:		
- Small and medium enterprises	35,849,078	33,083,633
- Others	25,853,305	27,940,458
Government and statutory bodies	891	1,108
Individuals	121,084,533	115,572,681
Other domestic entities	9,350	100,246
Foreign entities	3,310,152	3,129,843
Gross loans, advances and financing	<u>188,119,010</u>	<u>182,086,866</u>

(b) By interest/profit rate sensitivity

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	RM'000
Fixed rate		
- Housing and shop loans/financing	10,668,614	4,875,632
- Hire purchase receivables	21,490,822	19,856,028
- Other fixed rate loans/financing	8,082,643	8,641,052
Variable rate		
- Standardised base rate/base rate/base lending rate plus	122,710,496	123,357,618
- Cost plus	25,132,933	25,256,906
- Other variable rates	33,502	99,630
Gross loans, advances and financing	<u>188,119,010</u>	<u>182,086,866</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A12 Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	2023
		RM'000
Purchase of securities	1,290,592	1,320,663
Purchase of transport vehicles	21,199,497	19,574,851
Purchase of landed properties		
- Residential	93,659,256	89,114,612
- Non-residential	22,896,547	21,976,096
Purchase of fixed assets (excluding landed properties)	1,731,888	1,672,034
Personal use	4,026,538	3,885,235
Credit card	3,420,042	3,202,663
Construction	5,580,105	4,197,939
Working capital	33,145,088	35,954,488
Other purposes	1,169,457	1,188,285
Gross loans, advances and financing	<u>188,119,010</u>	<u>182,086,866</u>

(d) By geographical distribution

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	2023
		RM'000
Malaysia	174,644,544	168,121,697
Outside Malaysia		
- Singapore	9,180,256	9,367,686
- Hong Kong	44,758	46,789
- Vietnam	2,012,715	1,956,082
- Cambodia	2,236,737	2,594,612
Gross loans, advances and financing	<u>188,119,010</u>	<u>182,086,866</u>

(e) By residual contractual maturity

	The Group	
	31 March	Restated
	2024	30 June
	RM'000	2023
		RM'000
Within one year	32,183,995	33,320,622
One year to less than three years	6,615,582	7,261,457
Three years to less than five years	11,083,685	10,659,367
Five years and more	138,235,748	130,845,420
Gross loans, advances and financing	<u>188,119,010</u>	<u>182,086,866</u>

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

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
At beginning of financial year	1,042,010	819,878
Classified as impaired during the financial period/year	1,223,457	1,642,615
Reclassified as non-impaired during the financial period/year	(771,939)	(890,911)
Amount written back in respect of recoveries	(205,793)	(224,850)
Amount written off	(214,060)	(305,601)
Exchange differences	490	879
At end of financial period/year	<u>1,074,165</u>	<u>1,042,010</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.6%</u>	<u>0.6%</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A12 Loans, advances and financing (continued)

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

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Purchase of securities	62	125
Purchase of transport vehicles	69,384	42,881
Purchase of landed properties		
- Residential	392,927	404,463
- Non-residential	137,596	119,107
Purchase of fixed assets (excluding landed properties)	4,680	4,627
Personal use	30,176	47,205
Credit card	25,392	30,445
Construction	25,240	24,851
Working capital	322,243	274,325
Other purposes	66,465	93,981
Gross impaired loans, advances and financing	<u>1,074,165</u>	<u>1,042,010</u>

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

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Malaysia	1,007,082	982,393
Outside Malaysia		
- Singapore	2,119	1,481
- Vietnam	981	928
- Cambodia	63,983	57,208
Gross impaired loans, advances and financing	<u>1,074,165</u>	<u>1,042,010</u>

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL 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	(42,686)	(98,109)	140,795	-
Transfer to Stage 1	11,453	(11,438)	(15)	-
Transfer to Stage 2	(53,804)	108,028	(54,224)	-
Transfer to Stage 3	(335)	(194,699)	195,034	-
New financial assets originated	35,165	481	59	35,705
Financial assets derecognised	(10,546)	(33,446)	(13,656)	(57,648)
Changes due to change in credit risk	(6,900)	127,226	75,559	195,885
Modifications to contractual cash flow of financial assets	3	1,236	-	1,239
Changes in models/risk parameters	(50,861)	-	-	(50,861)
Amount written off	-	-	(214,846)	(214,846)
Exchange differences	(91)	36	36	(19)
Other movements	-	-	(9,841)	(9,841)
At 31 March 2024	<u>890,664</u>	<u>379,201</u>	<u>389,251</u>	<u>1,659,116</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	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	<u>966,580</u>	<u>381,777</u>	<u>411,145</u>	<u>1,759,502</u>

A13 Other assets

	The Group		The Company	
	31 March 2024	Restated 30 June 2023	31 March 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	191,011	338,198	1,864	2,250
Settlement accounts	1,710,296	850,808	-	-
Treasury related receivables	98,497	159,020	-	-
Cash collateral pledged for derivative transactions	844,233	1,086,263	-	-
Fee income receivables	2,038	7,715	-	-
Other receivables	382,046	245,837	-	-
	<u>3,228,167</u>	<u>2,687,887</u>	<u>1,864</u>	<u>2,250</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A14 Deposits from customers

(a) By type of deposits

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
At amortised cost		
Fixed deposits	116,344,287	112,597,523
Negotiable instruments of deposits	8,193,397	10,914,720
Short-term placements	<u>17,663,491</u>	<u>19,048,027</u>
	142,201,175	142,560,270
Demand deposits	41,822,432	42,465,293
Savings deposits	22,943,573	22,479,001
Others	<u>401,219</u>	<u>398,549</u>
	207,368,399	207,903,113
At FVTPL		
Structured deposits linked to interest rate derivatives	4,875,819	3,874,742
Fair value changes arising from designation at FVTPL [Note]	<u>(265,327)</u>	<u>(310,412)</u>
	4,610,492	3,564,330
	<u>211,978,891</u>	<u>211,467,443</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	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Government and statutory bodies	3,326,011	5,261,598
Business enterprises	96,313,347	99,334,076
Individuals	109,934,262	104,628,726
Others	<u>2,405,271</u>	<u>2,243,043</u>
	211,978,891	211,467,443

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

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Due within six months	115,392,818	119,473,207
More than six months to one year	23,839,666	20,115,668
More than one year to five years	2,092,453	2,196,854
More than five years	<u>876,238</u>	<u>774,541</u>
	142,201,175	142,560,270

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A15 Investment accounts of customers

	The Group	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Unrestricted investment accounts		
- Mudarabah with maturity	2,517,149	2,249,231
Restricted investment accounts		
- Wakalah bi Al-Istithmar	879	1,282
	2,518,028	2,250,513

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	
	31 March	30 June
	2024	2023
	RM'000	RM'000
Licensed banks	9,660,530	8,316,003
Licensed investment banks	143,842	362,886
Central banks [Note]	1,522,008	1,497,021
Other financial institutions	2,222,932	2,276,150
	13,549,312	12,452,060

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 RM1,522,008,000 (30 June 2023: RM1,497,021,000) at concession rates.

A17 Other liabilities

	The Group		The Company	
	31 March	Restated	31 March	30 June
Note	2024	30 June	2024	2023
	RM'000	RM'000	RM'000	RM'000
Trade payables	263,443	403,589	-	-
Amount due to subsidiary companies	-	-	88	-
Post employment benefits obligation				
- defined contribution plan	1,907	1,928	41	41
Loan advance payment	3,563,888	3,666,443	-	-
Treasury and cheque clearing	278,509	204,026	-	-
Treasury related payables	285,455	298,332	-	-
Sundry creditors and accruals	504,882	477,975	1,793	2,853
Provision for reinstatement cost	21,867	22,136	289	278
Provision for bonus and staff related expenses	175,445	233,053	9,008	11,603
Expected credit losses on financial guarantee contracts	8,258	8,110	-	-
Financial liabilities due to third party investors	626,283	1,242,934	-	-
Settlement accounts	2,086,668	889,467	-	-
Others	662,852	574,917	-	-
	8,479,457	8,022,910	11,219	14,775

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	3	(3)	-	-
Transfer to Stage 1	35	(35)	-	-
Transfer to Stage 2	(32)	32	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	273	-	-	273
Financial assets derecognised	(240)	(637)	-	(877)
Changes due to change in credit risk	621	170	-	791
Exchange differences	(47)	8	-	(39)
At 31 March 2024	7,328	930	-	8,258
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	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
Loans, advances and financing	1,595,324	1,420,096	4,767,075	4,086,506
Money at call and deposit placements with financial institutions	58,214	69,597	182,127	212,923
Financial investments at FVOCI	369,106	253,917	1,061,094	634,139
Financial investments at amortised cost	188,916	173,111	548,159	529,201
Others	14,361	13,195	42,536	31,752
	2,225,921	1,929,916	6,600,991	5,494,521
Of which:				
Interest income earned on impaired loans, advances and financing	12,550	11,562	37,264	26,187

The Company	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
Money at call and deposit placements with financial institutions	3,077	593	5,711	1,439
Subordinated obligations	11,601	17,465	35,057	53,171
Multi-currency Additional Tier 1 capital securities	4,551	4,655	14,069	22,718
	19,229	22,713	54,837	77,328

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A19 Interest income for financial assets at FVTPL

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Group				
Financial assets at FVTPL	50,320	39,534	134,370	181,086

A20 Interest expense

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
The Group				
Deposits and placements of banks and other financial institutions	165,055	123,949	413,802	295,226
Deposits from customers	950,482	755,039	2,824,056	1,870,487
Short-term placements	102,307	161,444	388,381	475,098
Borrowings	3,804	1,406	7,906	6,800
Subordinated obligations	23,350	23,316	69,245	70,947
Recourse obligations on loans sold to Cagamas Berhad	16,453	5,017	47,728	14,794
Multi-currency Additional Tier 1 capital securities	19,713	19,361	59,290	62,180
Others	3,447	3,317	9,619	11,809
	1,284,611	1,092,849	3,820,027	2,807,341

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Company				
Borrowings	2,295	1,419	5,767	6,842
Subordinated obligations	11,882	17,869	35,908	54,400
Multi-currency Additional Tier 1 capital securities	4,685	4,792	14,481	23,402
Others	44	54	139	175
	18,906	24,134	56,295	84,819

A21 Income from Islamic banking business

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Group				
Income derived from investment of depositors' funds and others	564,904	480,958	1,671,228	1,386,404
Income derived from investment of shareholders' funds	88,581	63,109	241,971	183,113
Income derived from investment of investment accounts	30,567	34,892	87,781	86,388
Income attributable to depositors	(407,960)	(344,435)	(1,214,332)	(866,352)
Income attributable to depositors on investment accounts	(21,642)	(25,626)	(60,614)	(55,816)
	254,450	208,898	726,034	733,737
Of which:				
Financing income earned on impaired financing and advances	2,312	1,242	7,531	3,804

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A22 Non-interest income

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
The Group				
Insurance income	117,562	122,173	278,984	265,023
Brokerage income	16,660	13,293	44,068	33,981
Fee income				
Commissions	43,034	39,463	124,932	114,056
Service charges and fees	12,994	13,156	29,627	29,023
Guarantee fees	6,161	5,396	19,113	20,057
Credit card related fees	58,688	52,560	175,124	157,808
Corporate advisory fees	1,215	1,000	3,701	4,460
Commitment fees	8,870	9,041	27,612	27,965
Loans, advances and financing fees	12,716	11,564	35,646	40,537
Placement fees	2,451	2,254	6,229	9,405
Arranger fees	74	50	2,450	416
Unit trust fees income	11,321	11,498	34,882	34,523
Other fees income	57,887	56,815	172,166	180,543
	215,411	202,797	631,482	618,793
Net income from securities				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	32,959	51,004	56,971	68,320
- Financial investments at FVOCI	9,199	35,167	17,984	35,784
- Derivative financial instruments	(40,748)	63,012	(70,618)	(18,552)
Gross dividend income from:				
- Financial assets at FVTPL	18,382	25,083	59,890	63,484
- Financial investments at FVOCI	-	1,740	-	1,740
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	36,531	10,914	80,299	56,254
- Derivative financial instruments	64,675	(67,087)	33,986	56,128
Net realised gain on fair value changes arising from fair value hedges	2,222	5,183	6,189	5,748
Net unrealised gain on fair value changes arising from fair value hedges	463	478	1,895	1,667
	123,683	125,494	186,596	270,573
Other (expense)/income				
Foreign exchange (loss)/gain	(32,221)	76,648	116,239	173,185
Rental income	3,714	2,657	10,979	7,794
Net gain on disposal of property and equipment	29	1	1,831	347
Other non-operating income	7,898	7,454	14,261	13,762
	(20,580)	86,760	143,310	195,088
Total non-interest income	452,736	550,517	1,284,440	1,383,458

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A22 Non-interest income (continued)

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Company				
Fees income				
Management fees and outsourcing fees	2,813	3,759	9,687	8,299
Net income from securities				
Net realised gain from sale of:				
- Financial assets at FVTPL	80	-	80	-
Gross dividend income from:				
- Financial assets at FVTPL	1,805	-	1,805	-
- Subsidiary companies	335,035	281,429	961,334	885,303
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	64	-	92	-
Other income				
Other non-operating income	68	56	180	282
Total non-interest income	339,865	285,244	973,178	893,884

A23 Overhead expenses

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
The Group				
Personnel costs				
- Salaries, bonus and allowances	339,406	321,384	992,688	936,450
- Medical expenses	9,534	9,041	25,477	25,553
- Training and convention expenses	2,557	3,249	11,319	9,300
- Staff welfare	3,475	2,874	9,554	8,242
- Others	11,799	9,781	35,750	13,970
	366,771	346,329	1,074,788	993,515
Establishment costs				
- Depreciation of property and equipment	27,453	28,973	83,777	90,828
- Depreciation of right-of-use assets	12,107	11,893	36,227	36,179
- Amortisation of intangible assets	21,666	15,304	53,874	45,375
- Rental of premises	498	510	1,588	1,318
- Information technology expenses	54,851	64,156	173,399	186,944
- Security services	6,109	5,444	18,262	15,821
- Electricity, water and sewerage	5,432	5,475	16,975	16,575
- Hire of plant and machinery	3,554	3,510	10,896	10,067
- Others	7,379	8,778	23,391	25,627
	139,049	144,043	418,389	428,734
Marketing expenses				
- Advertisement and publicity	4,730	9,828	10,956	24,688
- Sales commission and credit card related fees	43,956	31,504	105,101	101,253
- Others	(374)	12,665	25,622	39,873
	48,312	53,997	141,679	165,814
Administration and general expenses				
- Teletransmission expenses	4,761	5,078	13,803	16,562
- Stationery and printing expenses	2,569	2,597	8,181	8,126
- Professional fees	28,048	24,021	71,230	76,236
- Insurance fees	14,532	12,026	40,600	32,456
- Stamp, postage and courier	3,644	3,817	10,512	11,107
- Credit card fees	24,106	14,310	70,581	52,894
- Travelling and transport expenses	1,032	949	2,986	2,688
- Registration and license fees	2,709	2,815	8,086	7,520
- Brokerage and commission	3,179	2,883	10,003	8,990
- Others	13,289	8,572	29,279	24,293
	97,869	77,068	265,261	240,872
Total overhead expenses	652,001	621,437	1,900,117	1,828,935

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A23 Overhead expense (continued)

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Company				
Personnel costs				
- Salaries, bonus and allowances	5,973	5,163	17,283	15,531
- Medical expenses	10	6	12	11
- Training and convention expenses	8	6	10	16
- Staff welfare	206	177	527	505
- Others	450	724	1,757	5,231
	<u>6,647</u>	<u>6,076</u>	<u>19,589</u>	<u>21,294</u>
Establishment costs				
- Depreciation of property and equipment	314	310	943	892
- Depreciation of right-of-use assets	235	235	705	705
- Amortisation of intangible assets	22	21	65	53
- Information technology expenses	(76)	62	40	180
- Electricity, water and sewerage	11	12	32	28
- Others	108	35	228	182
	<u>614</u>	<u>675</u>	<u>2,013</u>	<u>2,040</u>
Administration and general expenses				
- Teletransmission expenses	8	5	18	17
- Stationery and printing expenses	11	4	20	12
- Professional fees	178	234	674	728
- Management fees	533	441	1,598	1,637
- Travelling and transport expenses	1	1	1	1
- Others	192	107	418	324
	<u>923</u>	<u>792</u>	<u>2,729</u>	<u>2,719</u>
Total overhead expense	<u>8,184</u>	<u>7,543</u>	<u>24,331</u>	<u>26,053</u>

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

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Group				
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	41,179	89,961	124,507	276,788
- Clients' and brokers' balances	(19)	150	(31)	(9)
Impaired loans, advances and financing:				
- Written off	5,519	7,108	17,779	22,683
- Recovered from bad debt written off	(73,070)	(59,038)	(225,466)	(198,580)
	<u>(26,391)</u>	<u>38,181</u>	<u>(83,211)</u>	<u>100,882</u>

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2024	2023	2024	2023
The Group	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	959	126	1,132	261
- Financial investments at amortised cost	(3)	(3)	2	(50)
- Other receivables	(115)	(79)	(32)	381
- Cash and short-term funds	(31)	(54)	119	(22)
- Deposits and placements with banks and other financial institutions	(86)	(114)	(51)	(68)
	724	(124)	1,170	502

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2024	2023	2024	2023
The Company	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(726)	423	(2,147)	(780)

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.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	
	31 March 2024	30 June 2023	31 March 2024	30 June 2023	31 March 2024	30 June 2023	31 March 2024	30 June 2023
Before deducting proposed dividends								
CET 1 capital ratio	10.486%	11.245%	12.509%	13.310%	12.904%	13.000%	29.630%	38.498%
Tier 1 capital ratio	11.495%	12.329%	13.517%	14.353%	13.901%	14.029%	29.630%	38.498%
Total capital ratio	13.988%	14.859%	15.516%	16.399%	15.833%	16.009%	37.754%	48.792%
After deducting proposed dividends								
CET 1 capital ratio	10.486%	11.022%	12.509%	12.824%	12.904%	12.372%	29.630%	35.719%
Tier 1 capital ratio	11.495%	12.106%	13.517%	13.866%	13.901%	13.401%	29.630%	35.719%
Total capital ratio	13.988%	14.635%	15.516%	15.912%	15.833%	15.381%	37.754%	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	
	31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 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	23,276,682	22,843,179	24,834,852	25,017,703	15,737,869	15,727,832	251,607	280,317
Other reserves	1,159,683	909,389	1,314,802	947,836	230,010	2,905	(465)	(4,486)
Qualifying non-controlling interests	8,324,716	7,906,064	-	-	-	-	-	-
Less: Treasury shares	(230,177)	(233,108)	(702,674)	(708,766)	(702,674)	(708,766)	-	-
Less: Other intangible assets	(366,703)	(368,261)	(360,908)	(362,435)	(325,968)	(326,216)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,724)	(33,936)
Less: Deferred tax assets	(333,278)	(508,213)	(246,887)	(410,436)	(170,224)	(317,985)	(85,528)	(96,878)
Less: Investment in subsidiary companies/ associated companies	(13,832,521)	(12,125,553)	(9,665,304)	(8,712,976)	(3,940,637)	(3,938,210)	(200)	(200)
Total CET 1 capital	17,919,123	18,344,218	21,081,632	21,678,677	16,795,892	16,407,076	384,640	397,767

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	
	31 March 2024	30 June 2023	31 March 2024	30 June 2023	31 March 2024	30 June 2023	31 March 2024	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	-	399,997	1,697,978	1,698,491	1,697,978	1,698,491	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,723,817	1,368,004	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,723,817	1,768,001	1,697,978	1,698,491	1,697,978	1,698,491	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,723,817	1,768,001	1,697,978	1,698,491	1,297,978	1,298,491	-	-
Total Tier 1 capital	19,642,940	20,112,219	22,779,610	23,377,168	18,093,870	17,705,567	384,640	397,767
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,877,103	1,826,248	1,871,216	1,832,523	1,415,400	1,399,403	5,462	6,356
Subordinated obligations	1,099,999	1,099,990	1,499,221	1,499,089	1,499,221	1,499,089	100,000	100,000
Qualifying non-controlling interests	1,282,690	1,200,465	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,259,792	4,126,703	3,370,437	3,331,612	2,514,621	2,498,492	105,462	106,356
Total capital	23,902,732	24,238,922	26,150,047	26,708,780	20,608,491	20,204,059	490,102	504,123

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	
	31 March	30 June	31 March	30 June	31 March	30 June	31 March	30 June
	2024	2023	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk [Note]	150,284,023	146,099,832	149,697,302	146,601,855	113,231,964	111,952,229	436,927	508,514
Market risk	9,790,701	6,433,925	8,431,640	6,124,089	8,596,324	6,120,834	572,555	185,018
Operational risk	10,807,531	10,596,687	10,402,032	10,143,761	8,333,871	8,131,845	288,676	339,681
Total RWA	170,882,255	163,130,444	168,530,974	162,869,705	130,162,159	126,204,908	1,298,158	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 RM1,787,714,000 (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	
	31 March	30 June
	2024	2023
Before deducting proposed dividends		
CET 1 capital ratio	11.379%	11.423%
Tier 1 capital ratio	12.532%	12.653%
Total capital ratio	14.850%	15.051%
After deducting proposed dividends		
CET 1 capital ratio	11.379%	11.423%
Tier 1 capital ratio	12.532%	12.653%
Total capital ratio	14.850%	15.051%

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

A27 Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the financial period ended 31 March 2024.

A28 Changes in composition of the Group

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

- (a) RC Holdings Sdn Bhd, a wholly-owned subsidiary of HLA Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of HLFG, was dissolved on 29 May 2024.

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	
	31 March 2024 RM'000	30 June 2023 RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	225,161	225,515
Certain transaction related contingent items	2,985,493	2,594,402
Short-term self liquidating trade related contingencies	1,140,335	1,063,924
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	867,492	917,463
Irrevocable commitments to extend credit:		
- maturity more than one year	15,056,363	17,073,556
- maturity less than one year	29,093,490	26,457,159
Unutilised credit card lines	7,260,015	6,902,344
	56,628,349	55,234,363
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- less than one year	73,763,450	67,555,981
- one year to five years	7,553,561	7,321,941
- over five years	852,912	737,005
Interest rate related contracts:		
- less than one year	98,594,488	46,129,203
- one year to five years	109,594,378	84,573,444
- over five years	3,903,239	4,399,525
Equity related contracts:		
- less than one year	583,330	487,429
- one year to five years	897,311	668,593
Credit related contracts:		
- less than one year	136,144	121,391
- one year to less than five years	15,883	-
- over five years	1,395,635	1,225,853
Commodity related contracts:		
- less than one year	34,547	554,082
	297,324,878	213,774,447
	353,953,227	269,008,810

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	
31 March 2024				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	15,038,411	-	15,038,411
- Quoted securities	8,466,332	-	-	8,466,332
- Unquoted securities	-	7,871,176	393,370	8,264,546
Financial investments at FVOCI				
- Money market instruments	-	25,217,182	-	25,217,182
- Quoted securities	5,489,782	-	-	5,489,782
- Unquoted securities	-	11,260,103	97,650	11,357,753
Derivative financial instruments	2,705	1,428,704	63,520	1,494,929
	13,958,819	60,815,576	554,540	75,328,935

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	
31 March 2024				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	4,213	1,684,044	65,759	1,754,016
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	4,610,492	-	4,610,492
	<u>4,213</u>	<u>6,294,536</u>	<u>65,759</u>	<u>6,364,508</u>
30 June 2023				
Recurring fair value measurements				
Financial assets				
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>
Financial liabilities				
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).

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	-	-	11,596	11,596
Purchases	-	-	15,890	19,514
Disposal	-	-	-	-
Settlements	-	-	(38,320)	(37,190)
At 31 March 2024	393,370	97,650	63,520	65,759
Fair value changes recognised in statements of income relating to assets held on 31 March 2024	-	-	11,596	11,596
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	-	-

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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	

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

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

	31 March 2023 RM'000	Effects of MFRS 17 adoption RM'000	<u>Restated</u> 31 March 2023 RM'000
The Group			
Interest income	5,494,521	-	5,494,521
Interest income for financial assets at fair value through profit or loss	181,086	-	181,086
Interest expense	(2,807,893)	552	(2,807,341)
Net interest income	<u>2,867,714</u>	552	<u>2,868,266</u>
Income from Islamic banking business	<u>733,737</u>	-	<u>733,737</u>
	3,601,451	552	3,602,003
Non-interest income	<u>1,362,246</u>	21,212	<u>1,383,458</u>
Net income	<u>4,963,697</u>	21,764	<u>4,985,461</u>
Overhead expenses	<u>(1,894,144)</u>	65,209	<u>(1,828,935)</u>
Operating profit before allowances	3,069,553	86,973	3,156,526
Allowance for impairment losses on loans, advances and financing and other losses	(100,882)	-	(100,882)
Allowance for impairment losses on other assets	<u>(502)</u>	-	<u>(502)</u>
Operating profit after allowances	2,968,169	86,973	3,055,142
Share of results of associated companies	<u>1,003,453</u>	-	<u>1,003,453</u>
Profit before taxation	3,971,622	86,973	4,058,595
Taxation	<u>(707,931)</u>	<u>(12,446)</u>	<u>(720,377)</u>
Net profit for the financial period	<u>3,263,691</u>	<u>74,527</u>	<u>3,338,218</u>
Attributable to:			
Owners of the parent	2,165,029	51,913	2,216,942
Non-controlling interests	<u>1,098,662</u>	<u>22,614</u>	<u>1,121,276</u>
	<u>3,263,691</u>	<u>74,527</u>	<u>3,338,218</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 RM1,485.2 million for the current quarter ended 31 March 2024 as compared to RM1,317.8 million in the previous corresponding quarter (restated), an increase of RM167.4 million or 12.7%. The increase was due to higher contribution from across all operating divisions.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM1,268.4 million for the current quarter ended 31 March 2024 as compared to RM1,111.7 million in the previous corresponding quarter, an increase of RM156.7 million or 14.1%. The increase was mainly due to higher share of profit from associated company which has increased by RM71.2 million, higher write back of impairment losses on loans, advances & financing of RM64.3 million and higher revenue of RM39.5 million. This was offset by higher operating expenses of RM17.5 million and higher allowance of impairment losses on financial investments and other assets of RM0.8 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM194.1 million for the current quarter ended 31 March 2024 as compared to RM192.8 million in the previous corresponding quarter (restated), an increase of RM1.3 million or 0.7%. The increase was mainly due to higher life fund surplus of RM17.3 million, higher revenue of RM1.2 million and higher share of profit from associated company of RM0.2 million. This was offset by higher operating expenses of RM17.4 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM27.1 million for the current quarter ended 31 March 2024 as compared to RM16.4 million in the previous corresponding quarter, an increase of RM10.7 million or 65.2%. The increase was mainly due to fair value gain on investment and higher contribution from across all operating divisions.

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

HLFG Group recorded a profit before tax of RM4,368.1 million for the current period ended 31 March 2024 as compared to RM4,058.6 million in the previous corresponding period (restated), an increase of RM309.4 million or 7.6%. The increase was due to higher contribution from across all operating divisions.

HLB recorded a profit before tax of RM3,852.5 million for the period ended 31 March 2024 as compared to RM3,586.3 million in the previous corresponding period, an increase of RM266.2 million or 7.4%. The increase was mainly due to higher share of profit from associated company which has increased by RM235.9 million and higher write back of impairment losses on loans, advances & financing of RM184.0 million. This was offset by lower revenue of RM87.9 million, higher operating expenses of RM64.8 million and higher allowance of impairment losses on financial investments and other assets of RM1.0 million.

HLAH recorded a profit before tax of RM453.0 million for the period ended 31 March 2024 as compared to RM443.9 million in the previous corresponding period (restated), an increase of RM9.1 million or 2%. The increase was mainly due to higher life fund surplus of RM65.6 million and higher share of profit from associated company of RM21.0 million. This was offset by lower revenue of RM53.5 million and higher operating expenses of RM24.0 million.

HLCB recorded a profit before tax of RM73.9 million for the period ended 31 March 2024 as compared to RM52.6 million in the previous corresponding period, an increase of RM21.4 million or 40.7%. The increase was mainly due to fair value gain on investment and higher contribution from investment banking & stockbroking divisions.

B2 Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,485.2 million for the current quarter ended 31 March 2024 as compared to RM1,530.4 million in the preceding quarter (restated), a decrease of RM45.1 million or 2.9%. The decrease was due to lower contribution from commercial banking.

HLB recorded a profit before tax of RM1,268.4 million for the current quarter ended 31 March 2024 as compared to RM1,341.0 million in the preceding quarter, a decrease of RM72.6 million or 5.4%. The decrease was mainly due to lower share of profit from associated company which has decreased by RM64.0 million, lower revenue of RM29.1 million and higher allowance of impairment losses on financial investments and other assets of RM0.9 million. This was mitigated by higher write back of impairment losses on loans, advances & financing of RM20.6 million and lower operating expenses of RM0.8 million.

HLAH recorded a profit before tax of RM194.1 million for the current quarter ended 31 March 2024 as compared to RM171.9 million in the preceding quarter (restated), an increase of RM22.2 million or 12.9%. The increase was mainly due to higher revenue of RM59.3 million and higher share of profit from associated company of RM6.7 million. This was offset by higher operating expenses of RM29.2 million and lower life fund surplus of RM14.6 million.

HLCB recorded a profit before tax of RM27.1 million for the current quarter ended 31 March 2024 as compared to RM19.4 million in the preceding quarter, an increase of RM7.6 million or 39.3%. This increase was mainly due to fair value gain on investment and higher contribution from investment banking & stockbroking divisions.

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

B3 Prospects for the current financial year

The Global economic landscape remains uncertain in view of the evolving regional conflict in the Middle East. However, there is optimism amid descending global inflation, resilience of the United States's economy and China's fiscal policy measures providing support to economic growth, albeit at a modest pace. The Malaysian economy is expected to expand moderately at 4%-5% in 2024 underpinned by improving external trade, a stable labour market and resilient domestic demand both from private as well as public investments.

The Group is maintaining a cautious stance for the remainder of the financial year given the challenging operating environment. The Group is focused on delivering sustainable and improved performance by steadfastly focusing on growing targeted segments, developing new product offerings as well as enhancing customer centricity.

The Group shall manage asset quality appropriately and uphold its sound loan monitoring and management of credit risk, while maintaining its strong capital and liquidity position to support asset growth. This is on top of prudent cost control, advancing the sustainability agenda and continuous technology investment in operational resiliency and digital capabilities across all operating companies.

B4 Variance in profit forecast and shortfall in profit guarantee

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

B5 Taxation

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024	Restated 31 March 2023	31 March 2024	Restated 31 March 2023
The Group	RM'000	RM'000	RM'000	RM'000
Income tax	215,135	183,088	672,533	633,540
Prior period under/(over) provision	1,937	26,674	(69,316)	76,985
	<u>217,072</u>	<u>209,762</u>	<u>603,217</u>	<u>710,525</u>
Transfer from deferred tax	44,609	7,163	180,786	9,852
	<u>261,681</u>	<u>216,925</u>	<u>784,003</u>	<u>720,377</u>

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
The Company	RM'000	RM'000	RM'000	RM'000
Income tax	127	(268)	340	(90)
Prior period under provision	-	98	-	68
	<u>127</u>	<u>(170)</u>	<u>340</u>	<u>(22)</u>
Transfer to deferred tax	108	-	35	-
	<u>235</u>	<u>(170)</u>	<u>375</u>	<u>(22)</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.

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

B7 Borrowings

	The Group		The Company	
	31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000
Unsecured				
Senior notes	608,832	201,936	200,556	201,919
	608,832	201,936	200,556	201,919
Repayment of senior notes				
- One to three years	608,832	201,936	200,556	201,919
	608,832	201,936	200,556	201,919

B8 Subordinated obligations

	Note	The Group		The Company	
		31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,502	4,710	-	-
		604,502	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		20,060	2,867	14,125	2,203
		1,620,060	1,602,867	1,114,125	1,102,203
Less: Unamortised discounts		(749)	(927)	(73)	(344)
		1,619,311	1,601,940	1,114,052	1,101,859
		2,223,813	2,206,650	1,114,052	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	
	31 March 2024 RM'000	30 June 2023 RM'000	31 March 2024 RM'000	30 June 2023 RM'000
Multi-currency Additional Tier 1 capital securities, at par	1,700,000	1,700,000	-	400,000
Add: Interest payable	25,876	16,005	-	4,965
	<u>1,725,876</u>	<u>1,716,005</u>	<u>-</u>	<u>404,965</u>
Less: Unamortised discounts	(2,022)	(1,490)	-	(114)
Add: Fair value changes arising from fair value hedges	5,323	5,115	-	-
	<u>1,729,177</u>	<u>1,719,630</u>	<u>-</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 March 2024, the Company had fully redeemed the RM400.0 million nominal value of this Capital Securities.

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.

On 25 March 2024, HLB issued a nominal value of RM400.0 million Additional Tier1 capital securities ("Capital Securities"), out to its multi-currency Additional Tier 1 capital securities programme. The Capital Securities carry a distribution rate of 4.25% 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 31 March 2024

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	58,861,802	285,842	(342,493)
(ii) 1 year to 3 years	1,793,515	44,516	(729)
(iii) More than 3 years	1,359,504	26,112	(250)
- Swaps			
(i) Less than 1 year	10,951,741	156,368	(169,030)
(ii) 1 year to 3 years	3,324,318	35,562	(174,423)
(iii) More than 3 years	1,925,448	52,035	(48,496)
- Options			
(i) Less than 1 year	3,949,907	17,074	(12,954)
(ii) 1 year to 3 years	3,688	64	(64)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	60,814,079	5,626	(6,255)
(ii) 1 year to 3 years	1,457,000	8,328	(2,399)
(iii) More than 3 years	2,049,000	5,876	(9,154)
- Swaps			
(i) Less than 1 year	37,780,409	50,171	(48,077)
(ii) 1 year to 3 years	50,086,336	246,871	(243,227)
(iii) More than 3 years	59,905,281	379,754	(516,750)
Equity related contracts			
(i) Less than 1 year	583,330	12,889	(16,512)
(ii) 1 year to 3 years	206,515	10,112	(5,513)
(iii) More than 3 years	690,796	38,955	(38,955)
Credit related contracts			
(i) Less than 1 year	136,144	5,140	(5,140)
(ii) More than 3 years	1,411,518	113,286	(113,285)
Commodity related contracts			
(i) Less than 1 year	34,547	348	(310)
Total	297,324,878	1,494,929	(1,754,016)

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 RM988,401,000 (30 June 2023: RM522,107,000) and RM204,118,618,000 (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 RM1,597,576,000 (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 31 March 2024.

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 period.

	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	Restated 31 March 2023 RM'000	31 March 2024 RM'000	Restated 31 March 2023 RM'000
The Group				
Net profit attributable to equity holders	818,065	735,972	2,391,576	2,216,942
Weighted average number of ordinary shares ('000)	1,134,258	1,134,049	1,134,172	1,133,997
Basic earnings per share (sen)	72.1	64.9	210.9	195.5
	3rd Quarter Ended		Nine Months Ended	
	31 March 2024 RM'000	31 March 2023 RM'000	31 March 2024 RM'000	31 March 2023 RM'000
The Company				
Net profit attributable to equity holders equity holders	332,495	276,027	949,161	861,142
Weighted average number of ordinary shares ('000)	1,138,350	1,138,141	1,138,264	1,138,089
Basic earnings per share (sen)	29.2	24.3	83.4	75.7

(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.