

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

	Note	<u>The Group</u>		<u>The Company</u>	
		31 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000
<b>Assets</b>					
Cash and short-term funds		9,076,310	9,605,894	53,475	26,609
Deposits and placements with banks and other financial institutions		2,613,318	1,300,746	3,360	3,360
Securities purchased under resale agreements		179,568	-	-	-
Financial assets at fair value through profit or loss	A9	30,479,488	29,470,629	-	-
Financial investments at fair value through other comprehensive income	A10	30,306,228	27,452,943	-	-
Financial investments at amortised cost	A11	32,591,477	33,608,857	-	-
Derivative financial instruments	B10	2,034,793	1,902,169	-	-
Loans, advances and financing	A12	171,155,244	167,177,303	-	-
Clients' and brokers' balances		602,281	722,181	-	-
Other assets	A13	2,564,219	2,431,500	1,346	2,635
Statutory deposits with Central Banks		3,081,787	520,650	-	-
Tax recoverable		9,681	6,262	314	492
Deferred tax assets		225,893	364,931	259	229
Investment in subsidiary companies		-	-	19,059,026	19,459,428
Investment in associated companies		8,490,759	7,660,825	-	-
Property and equipment		1,284,888	1,274,380	5,956	4,803
Right-of-use assets		204,131	214,355	3,604	4,075
Investment properties		471,610	471,610	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		330,759	324,938	180	76
<b>Total Assets</b>		<b>298,113,078</b>	<b>286,920,817</b>	<b>19,127,520</b>	<b>19,501,707</b>
<b>Liabilities</b>					
Deposits from customers	A14	197,892,495	197,382,921	-	-
Investment accounts of customers	A15	2,302,071	2,668,408	-	-
Deposits and placements of banks and other financial institutions	A16	10,813,515	8,229,485	-	-
Obligations on securities sold under repurchase agreements		7,828,621	3,971,304	-	-
Bills and acceptances payable		253,417	241,361	-	-
Derivative financial instruments	B10	2,843,191	1,765,006	-	-
Clients' and brokers' balances		234,735	306,901	-	-
Other liabilities	A17	12,932,937	12,001,014	18,124	14,868
Lease liabilities		204,453	212,599	3,807	4,249
Recourse obligations on loans/financing sold to Cagamas Berhad		1,962,309	1,623,936	-	-
Provision for claims		358,285	338,005	-	-
Provision for taxation		214,431	331,101	-	-
Borrowings	B7	201,982	411,931	201,938	411,858
Subordinated obligations	B8	2,207,425	2,207,083	1,602,082	1,601,624
Multi-currency Additional Tier 1 capital securities	B9	1,717,964	1,715,849	404,776	806,431
Insurance funds		18,747,841	17,524,189	-	-
<b>Total Liabilities</b>		<b>260,715,672</b>	<b>250,931,093</b>	<b>2,230,727</b>	<b>2,839,030</b>
<b>Equity</b>					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		23,234,512	22,244,622	14,804,510	14,573,325
Treasury shares for ESS		(233,108)	(236,039)	(174,725)	(177,656)
<b>Total Shareholders' Equity</b>		<b>25,268,412</b>	<b>24,275,591</b>	<b>16,896,793</b>	<b>16,662,677</b>
Non-controlling interests		12,128,994	11,714,133	-	-
<b>Total Equity</b>		<b>37,397,406</b>	<b>35,989,724</b>	<b>16,896,793</b>	<b>16,662,677</b>
<b>Total Liabilities and Equity</b>		<b>298,113,078</b>	<b>286,920,817</b>	<b>19,127,520</b>	<b>19,501,707</b>
<b>Commitments and Contingencies</b>	A30	<b>259,300,631</b>	214,693,156	-	-
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)		<b>22.28</b>	21.41	<b>14.72</b>	14.52

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.

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

		2nd Quarter Ended		Six Months Ended	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<b>The Group</b>	<b>Note</b>				
Interest income	A18	1,902,522	1,419,666	3,564,605	2,808,240
Interest income for financial assets at fair value through profit or loss	A19	60,834	65,566	141,552	130,879
Interest expense	A20	(983,668)	(499,514)	(1,714,833)	(1,000,686)
Net interest income		979,688	985,718	1,991,324	1,938,433
Income from Islamic banking business	A21	273,319	232,996	524,839	441,085
		1,253,007	1,218,714	2,516,163	2,379,518
Non-interest income	A22	450,770	325,589	832,749	724,080
Net income		1,703,777	1,544,303	3,348,912	3,103,598
Overhead expenses	A23	(628,885)	(581,262)	(1,249,964)	(1,160,598)
Operating profit before allowances		1,074,892	963,041	2,098,948	1,943,000
Allowance for impairment losses on loans, advances and financing and other losses	A24	(25,240)	(33,200)	(62,701)	(81,719)
(Allowance for)/writeback of impairment losses on other assets	A25	(968)	429	(626)	617
		1,048,684	930,270	2,035,621	1,861,898
Share of results of associated companies		386,883	271,339	662,164	514,104
Profit before taxation		1,435,567	1,201,609	2,697,785	2,376,002
Taxation	B5	(274,805)	(362,751)	(497,928)	(572,572)
<b>Net profit for the financial period</b>		<b>1,160,762</b>	<b>838,858</b>	<b>2,199,857</b>	<b>1,803,430</b>
Attributable to:					
Owners of the parent		770,836	559,486	1,452,576	1,200,048
Non-controlling interests		389,926	279,372	747,281	603,382
		1,160,762	838,858	2,199,857	1,803,430
Earnings per share attributable to equity holders of the Company - basic (sen)		68.0	49.3	128.1	105.8

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.

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

	2nd Quarter Ended		Six Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<b>The Group</b>				
<b>Net profit for the financial period</b>	<b>1,160,762</b>	838,858	<b>2,199,857</b>	1,803,430
<b>Other comprehensive loss:</b>				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of associated companies	9,929	11,202	(1,621)	5,196
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	206,970	(230,311)	132,497	(532,810)
- Changes in expected credit losses	108	(165)	127	(363)
Net fair value changes in cash flow hedge	-	3,616	279	5,864
Currency translation differences	(276,669)	53,378	(238,496)	116,724
Income tax relating to components of other comprehensive (loss)/income	(48,246)	49,507	(36,867)	119,769
Other comprehensive loss for the financial period, net of tax	(107,908)	(112,773)	(144,081)	(285,620)
<b>Total comprehensive income for the financial period</b>	<b>1,052,854</b>	726,085	<b>2,055,776</b>	1,517,810
Attributable to:				
Owners of the parent	699,802	485,293	1,360,964	1,012,072
Non-controlling interests	353,052	240,792	694,812	505,738
	<b>1,052,854</b>	726,085	<b>2,055,776</b>	1,517,810

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.*

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

The Company	Note	2nd Quarter Ended		Six Months Ended	
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	26,717	27,951	54,615	55,841
Interest expense	A20	(29,393)	(32,033)	(60,685)	(66,291)
Net interest expense		(2,676)	(4,082)	(6,070)	(10,450)
Non-interest income	A22	77,016	65,268	608,640	585,242
Net income		74,340	61,186	602,570	574,792
Overhead expenses	A23	(8,159)	(6,174)	(18,510)	(14,222)
Writeback of/(allowance for) impairment losses on other assets	A25	990	(196)	1,203	(1)
Profit before taxation		67,171	54,816	585,263	560,569
Taxation	B5	(59)	54	(148)	70
<b>Net profit for the financial period</b>		<b>67,112</b>	<b>54,870</b>	<b>585,115</b>	<b>560,639</b>
Earnings per share attributable to equity holders of the Company - basic (sen)		<b>5.9</b>	<b>4.8</b>	<b>51.4</b>	<b>49.3</b>

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

The Company	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the financial period</b>	<b>67,112</b>	<b>54,870</b>	<b>585,115</b>	<b>560,639</b>
Other comprehensive income for the financial period, net of tax	-	-	-	-
<b>Total comprehensive income for the financial period</b>	<b>67,112</b>	<b>54,870</b>	<b>585,115</b>	<b>560,639</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.*

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

<b>The Group</b>	← <b>Attributable to owner of the parent</b> →											
	<b>Share capital RM'000</b>	<b>Regulatory reserve# RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Cash flow hedge reserve RM'000</b>	<b>Other reserves RM'000</b>	<b>Share options reserve RM'000</b>	<b>Exchange fluctuation reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Treasury shares for ESS RM'000</b>	<b>Total shareholders' equity RM'000</b>	<b>Non-controlling interests RM'000</b>	<b>Total equity RM'000</b>
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
<b>Comprehensive income</b>												
Net profit for the financial period	-	-	-	-	-	-	1,452,576	-	-	1,452,576	747,281	2,199,857
Currency translation differences	-	-	-	-	-	-	(154,986)	-	-	(154,986)	(83,510)	(238,496)
Share of other comprehensive loss of associated companies	-	-	23	-	-	-	-	-	-	23	(1,644)	(1,621)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	63,084	-	-	-	-	-	-	63,084	32,546	95,630
- Changes in expected credit losses	-	-	82	-	-	-	-	-	-	82	45	127
Net fair value changes in cash flow hedge	-	-	-	185	-	-	-	-	-	185	94	279
Total comprehensive income/(loss)	-	-	63,189	185	-	-	(154,986)	1,452,576	-	1,360,964	694,812	2,055,776
<b>Transaction with owners</b>												
Transfer to regulatory reserve	-	191,532	-	-	-	-	-	(191,532)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	1,094	-	1,094	(1,094)	-
Dividends paid	-	-	-	-	-	-	-	(352,792)	-	(352,792)	-	(352,792)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(282,857)	(282,857)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,000	4,000
Options charge arising from executive share scheme	-	-	-	-	-	(13,713)	-	-	-	(13,713)	-	(13,713)
Exercise of executive share scheme	-	-	-	-	-	(12,943)	-	7,280	2,931	(2,732)	-	(2,732)
<b>At 31 December 2022</b>	<b>2,267,008</b>	<b>858,066</b>	<b>(478,122)</b>	<b>-</b>	<b>213,314</b>	<b>34,210</b>	<b>752,628</b>	<b>21,854,416</b>	<b>(233,108)</b>	<b>25,268,412</b>	<b>12,128,994</b>	<b>37,397,406</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.

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

<b>The Group</b>	← <b>Attributable to owner of the parent</b> →											<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Regulatory reserve# RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Cash flow hedge reserve RM'000</b>	<b>Other reserves RM'000</b>	<b>Share options reserve RM'000</b>	<b>Exchange fluctuation reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Treasury shares for ESS RM'000</b>	<b>Total shareholders' equity RM'000</b>	<b>Non-controlling interests RM'000</b>	
At 1 July 2021	2,267,008	437,103	85,375	(3,959)	213,314	96,305	749,226	19,213,037	(238,970)	22,818,439	11,114,999	33,933,438
<b>Comprehensive income</b>												
Net profit for the financial period	-	-	-	-	-	-	-	1,200,048	-	1,200,048	603,382	1,803,430
Currency translation differences	-	-	-	-	-	-	76,586	-	-	76,586	40,138	116,724
Share of other comprehensive loss of associated companies	-	-	3,592	-	-	-	-	-	-	3,592	1,604	5,196
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(270,836)	-	-	-	-	-	-	(270,836)	(140,799)	(411,635)
- Changes in expected credit losses	-	-	(240)	-	-	-	-	-	-	(240)	(123)	(363)
Net fair value changes in cash flow hedge	-	-	-	2,922	-	-	-	-	-	2,922	1,536	4,458
Total comprehensive (loss)/income	-	-	(267,484)	2,922	-	-	76,586	1,200,048	-	1,012,072	505,738	1,517,810
<b>Transaction with owners</b>												
Transfer to regulatory reserve	-	69,849	-	-	-	-	-	(69,849)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,076)	-	(4,076)	4,076	-
Dividends paid	-	-	-	-	-	-	-	(332,261)	-	(332,261)	-	(332,261)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(274,356)	(274,356)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,511	4,511
Options charge arising from executive share scheme	-	-	-	-	-	(19,918)	-	15,605	-	(4,313)	-	(4,313)
Exercise of executive share scheme	-	-	-	-	-	(13,036)	-	7,706	2,931	(2,399)	-	(2,399)
At 31 December 2021	<u>2,267,008</u>	<u>506,952</u>	<u>(182,109)</u>	<u>(1,037)</u>	<u>213,314</u>	<u>63,351</u>	<u>825,812</u>	<u>20,030,210</u>	<u>(236,039)</u>	<u>23,487,462</u>	<u>11,354,968</u>	<u>34,842,430</u>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM846,821,000 (31 December 2021: RM495,707,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 2021: RM11,245,000).

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.

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

	← 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	
<b><u>The Company</u></b>						
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	-	-	-	-	585,115	585,115
Dividends paid	-	-	-	-	(352,792)	(352,792)
Options charge arising from executive share scheme	-	-	1,793	-	-	1,793
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
<b>At 31 December 2022</b>	<b><u>2,267,008</u></b>	<b><u>254,991</u></b>	<b><u>1,608</u></b>	<b><u>(174,725)</u></b>	<b><u>14,547,911</u></b>	<b><u>16,896,793</u></b>
At 1 July 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net loss for the financial period	-	-	-	-	560,639	560,639
Dividends paid	-	-	-	-	(332,261)	(332,261)
Options charge arising from executive share scheme	-	-	(15,605)	-	15,605	-
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 December 2021	<u>2,267,008</u>	<u>254,991</u>	<u>5,740</u>	<u>(177,656)</u>	<u>14,254,927</u>	<u>16,605,010</u>

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**HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

	The Group		The Company	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	2,697,785	2,376,002	585,263	560,569
Adjustment for non-cash items	(20,933)	(497,257)	(596,244)	(568,635)
Operating profit/(loss) before working capital changes	2,676,852	1,878,745	(10,981)	(8,066)
Income tax paid	(583,777)	(427,872)	-	9,847
Interest received	846	273	846	273
Changes in working capital:				
Net changes in operating assets	(5,970,638)	(3,183,429)	1,290	(2,988)
Net changes in operating liabilities	7,476,677	2,701,658	3,241	4,159
Net cash generated from/(used in) operating activities	3,599,960	969,375	(5,604)	3,225
<b>Cash flows from investing activities</b>				
Net (purchases)/disposal of financial investments at fair value through other comprehensive income	(3,774,481)	3,708,435	-	-
Net disposal/(purchases) of financial investments at amortised cost	1,017,427	(4,844,933)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	736,312	683,449	-	-
Purchase of intangible assets	(15,578)	(16,236)	(136)	(3)
Purchase of property and equipment	(88,684)	(68,267)	(1,734)	-
Net proceeds from disposal of property and equipment	353	-	113	-
Dividends received from other investments	38,401	39,683	-	193
Dividends received from subsidiary companies	-	-	603,874	579,686
Dividends received from associated companies	-	79,954	-	-
Proceeds from redemption of Multi-currency Additional Tier 1 capital securities	-	-	400,000	-
Interest received from investment in debt instrument issued by subsidiary company	-	-	19,862	19,806
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	35,512	35,645
- Interest on subordinated obligations	-	-	-	-
Net cash (used in)/generated from investing activities	(2,086,250)	(417,915)	1,057,491	635,327
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Company	(352,792)	(332,261)	(352,792)	(332,261)
Dividends paid to non-controlling interests	(282,857)	(274,356)	-	-
Cash received from executive share scheme exercised	-	915	-	-
Repayment of lease liabilities	(15,215)	(13,240)	(442)	(419)
Repayment of revolving credit	(100,000)	(25,000)	(100,000)	(25,000)
(Repayment)/proceeds from commercial papers	(110,000)	9,000	(110,000)	9,000
Repayment of senior notes	-	(170,000)	-	(200,000)
Repayment of Multi-currency Additional Tier 1 capital securities	(400,000)	-	(400,000)	-
Repayment of term loans	-	(1,000)	-	(1,000)
Proceeds from Multi-currency Additional Tier 1 capital securities	400,000	-	-	-
Proceeds from recourse obligations on loans/financing sold to Cagamas Berhad	1,300,000	300,000	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(962,950)	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(20,265)	(20,208)	(20,265)	(20,208)
Interest paid on subordinated obligations	(47,289)	(47,314)	(36,074)	(36,209)
Interest paid on borrowings	(5,343)	(17,130)	(5,343)	(12,599)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(27,330)	(27,130)	-	-
Interest paid on lease liabilities	(4,487)	(4,340)	(105)	(128)
Net cash (used in)/generated from financing activities	(628,528)	(622,064)	(1,025,021)	(618,824)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>885,182</b>	<b>(70,604)</b>	<b>26,866</b>	<b>19,728</b>
<b>Effects of exchange rate changes</b>	<b>(154,986)</b>	<b>14,460</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>9,605,894</b>	<b>9,193,042</b>	<b>26,669</b>	<b>10,674</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>10,336,090</b>	<b>9,136,898</b>	<b>53,535</b>	<b>30,402</b>
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	9,076,310	8,482,683	53,475	30,342
Deposits and placements with banks and other financial institutions	2,613,318	2,095,657	3,360	3,360
	11,689,628	10,578,340	56,835	33,702
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,353,538)	(1,441,442)	(3,300)	(3,300)
	10,336,090	9,136,898	53,535	30,402

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022.



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**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 2022. 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 2022.

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 2022 and modified for the adoption of the following accounting standards applicable for financial year beginning on or after 1 July 2022:

- Amendments to MFRS 3 "Business Combinations" Reference to the Conceptual Framework
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"

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

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

**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 2022**

There was no qualified report issued by the auditors in the preceding annual financial statements for the financial year ended 30 June 2022.

**A3 Seasonality or cyclical nature of operations**

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

**A4 Exceptional items or unusual events affecting financial statements**

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

**A5 Variation from financial estimates reported in preceding financial year**

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

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**A6 Issuance and repayment of debt and equity securities**

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

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

In December 2017, the Group has granted up to 20,450,000 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 period ended 31 December 2022, a total of 156,404 grant shares were vested and transferred pursuant to the Company's ESGS.

As at 31 December 2022, the total number of Treasury Shares for ESS is 9,323,192 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM174,725,000.

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

**A7 Dividends paid**

A final single-tier dividend of 31.0 sen per share, amounting to approximately RM352,792,000 in respect of the financial year ended 30 June 2022 paid on 23 November 2022.

**A8 Segmental reporting**

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

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

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

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

**Business segments**

The Group comprises the following main business segments:

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

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**A8 Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial banking RM'000</b>	<b>Investment banking RM'000</b>	<b>Insurance RM'000</b>	<b>Other operations RM'000</b>	<b>Eliminations/ consolidation adjustments RM'000</b>	<b>Consolidated RM'000</b>
<b>31 December 2022</b>						
<b>Revenue</b>						
External revenue	2,971,466	100,242	285,001	(7,797)	-	3,348,912
Inter-segment revenue	14,751	289	1,098	596,846	(612,984)	-
Segment revenue	<u>2,986,217</u>	<u>100,531</u>	<u>286,099</u>	<u>589,049</u>	<u>(612,984)</u>	<u>3,348,912</u>
<b>Results</b>						
Segment results	1,836,534	36,112	183,931	585,259	(606,215)	2,035,621
Share of results of associated companies						662,164
Profit before taxation						2,697,785
Taxation						<u>(497,928)</u>
Net profit for the financial period						2,199,857
Non-controlling interests						<u>(747,281)</u>
Profit attributable to owners of the parent						<u>1,452,576</u>
<b>Other information</b>						
Segment assets	265,189,147	4,196,481	28,690,188	19,127,545	(19,090,283)	<u>298,113,078</u>
Segment liabilities	233,106,429	3,262,337	24,629,662	2,232,372	(2,515,128)	<u>260,715,672</u>

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**A8 Segmental reporting (continued)**

<b>The Group</b>	<b>Commercial banking RM'000</b>	<b>Investment banking RM'000</b>	<b>Insurance RM'000</b>	<b>Other operations RM'000</b>	<b>Eliminations/ consolidation adjustments RM'000</b>	<b>Consolidated RM'000</b>
<b>31 December 2021</b>						
<b>Revenue</b>						
External revenue	2,742,015	122,008	249,177	(9,602)	-	3,103,598
Inter-segment revenue	9,094	323	640	576,704	(586,761)	-
Segment revenue	<u>2,751,109</u>	<u>122,331</u>	<u>249,817</u>	<u>567,102</u>	<u>(586,761)</u>	<u>3,103,598</u>
<b>Results</b>						
Segment results	1,649,495	58,192	172,014	560,565	(578,368)	1,861,898
Share of results of associated companies						<u>514,104</u>
Profit before taxation						<u>2,376,002</u>
Taxation						<u>(572,572)</u>
Net profit for the financial period						<u>1,803,430</u>
Non-controlling interests						<u>(603,382)</u>
Profit attributable to owners of the parent						<u><u>1,200,048</u></u>
<b>Other information</b>						
Segment assets	244,806,182	4,469,833	27,652,298	19,505,634	(18,511,320)	<u><u>277,922,627</u></u>
Segment liabilities	214,739,971	3,542,380	23,838,213	2,902,229	(1,942,596)	<u><u>243,080,197</u></u>

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

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Bank Negara Malaysia bills	-	49,806
Government treasury bills	<b>967,764</b>	2,083,409
Malaysian Government securities	<b>5,032,964</b>	4,323,656
Malaysian Government investment certificates	<b>1,466,992</b>	741,032
Negotiable instruments of deposit	<b>1,661,910</b>	1,473,440
Cagamas bonds	<b>45,716</b>	65,587
Other Government securities	<b>6,051,921</b>	5,761,134
	<b>15,227,267</b>	14,498,064
<b>Quoted securities</b>		
Shares in Malaysia	<b>5,265,629</b>	4,758,170
Shares outside Malaysia	<b>510,908</b>	553,017
Wholesale fund/unit trust investments	<b>834,537</b>	749,777
Portfolio Investment Accounts [Note]	<b>1,705</b>	9,097
Foreign currency bonds in Malaysia	<b>4,183</b>	11,938
Foreign currency bonds outside Malaysia	<b>8,216</b>	31,120
Convertible bonds outside Malaysia	<b>629,267</b>	1,108,752
Investment-linked funds	<b>313</b>	305
Loan stocks	<b>982</b>	1,073
Warrants in Malaysia	<b>1,614</b>	3,545
	<b>7,257,354</b>	7,226,794
<b>Unquoted securities</b>		
Shares in Malaysia	<b>382,664</b>	382,664
Foreign currency bonds in Malaysia	<b>3,947</b>	-
Foreign currency bonds outside Malaysia	<b>8,612</b>	9,047
Government sukuk	-	101,766
Corporate bonds and sukuk	<b>7,488,550</b>	7,141,464
Perpetual bonds	<b>86,094</b>	85,830
Redeemable preference shares	<b>25,000</b>	25,000
	<b>7,994,867</b>	7,745,771
<b>Total financial assets at FVTPL</b>	<b>30,479,488</b>	29,470,629

**Note :**

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

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

		<b>The Group</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2022</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>			
Debt instruments	(a)	<b>30,222,842</b>	27,369,557
Equity instruments	(b)	<b>83,386</b>	83,386
		<b>30,306,228</b>	27,452,943

(a) Debt instruments

**Money market instruments**

Government treasury bills	<b>1,269,519</b>	-
Malaysian Government securities	<b>5,282,300</b>	3,791,081
Malaysian Government investment certificates	<b>9,758,293</b>	9,197,348
Negotiable instruments of deposit	<b>99,867</b>	1,796,800
Khazanah bonds	<b>354,784</b>	348,079
Cagamas bonds	<b>1,663,254</b>	890,863
	<b>18,428,017</b>	16,024,171

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

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Debt instruments (continued)		
<b>Quoted securities</b>		
Government sukuk	812,485	831,321
Foreign currency bonds in Malaysia	1,639,061	1,216,476
Foreign currency bonds outside Malaysia	890,036	842,415
	<u>3,341,582</u>	<u>2,890,212</u>
<b>Unquoted securities</b>		
Government sukuk	415,418	417,257
Corporate bonds and sukuk	7,750,414	7,537,091
Foreign currency bonds in Malaysia	85,819	175,112
Foreign currency bonds outside Malaysia	201,592	325,714
	<u>8,453,243</u>	<u>8,455,174</u>
	<u>30,222,842</u>	<u>27,369,557</u>

Movements in expected credit losses ("ECL") of debt instruments at FVOCI are as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12 months</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
<b>The Group</b>	<b>ECL</b>	<b>not credit</b>	<b>credit</b>	<b>Total ECL</b>
	<b>RM'000</b>	<b>impaired</b>	<b>impaired</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2022	1,981	-	17,407	19,388
New financial assets originated or purchased	293	-	-	293
Financial assets derecognised	(106)	-	-	(106)
Changes due to change in credit risk	(52)	-	-	(52)
Exchange differences	(9)	-	(46)	(55)
<b>At 31 December 2022</b>	<u>2,107</u>	<u>-</u>	<u>17,361</u>	<u>19,468</u>
At 1 July 2021	2,741	-	16,647	19,388
New financial assets originated or purchased	300	-	-	300
Financial assets derecognised	(1,058)	-	-	(1,058)
Changes due to change in credit risk	(69)	-	-	(69)
Exchange differences	67	-	760	827
At 30 June 2022	<u>1,981</u>	<u>-</u>	<u>17,407</u>	<u>19,388</u>

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
(b) Equity instruments		
<b>Unquoted securities</b>		
Shares in Malaysia	83,386	83,386

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**A11 Financial investments at amortised cost**

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Government treasury bills	57,490	57,612
Malaysian Government securities	6,131,094	5,413,511
Malaysian Government investment certificates	23,017,712	23,305,894
Cagamas bonds	1,658,401	416,700
Khazanah bonds	14,141	13,889
Other Government securities	428,380	419,246
	<u>31,307,218</u>	<u>29,626,852</u>
<b>Quoted securities</b>		
Foreign currency bonds outside Malaysia	47,865	62,174
<b>Unquoted securities</b>		
Government sukuk	81,125	2,583,133
Corporate bonds and sukuk	1,155,290	1,336,766
	<u>1,236,415</u>	<u>3,919,899</u>
Less: Expected credit losses	(21)	(68)
Total financial investments at amortised cost	<u>32,591,477</u>	<u>33,608,857</u>

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u>
	<u>12 months</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
<b>The Group</b>	<u>ECL</u>	<u>not credit</u>	<u>credit</u>	<u>ECL</u>
	<u>RM'000</u>	<u>impaired</u>	<u>impaired</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July 2022	68	-	-	68
Changes due to change in credit risk	(47)	-	-	(47)
<b>At 31 December 2022</b>	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
At 1 July 2021	80	-	-	80
New financial assets originated or purchased	67	-	-	67
Financial assets derecognised	(81)	-	-	(81)
Exchange differences	2	-	-	2
At 30 June 2022	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>

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**A12 Loans, advances and financing**

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	3,614,779	3,546,936
Term loans/financing:		
- Housing and shop loans/financing	94,572,408	91,169,501
- Hire purchase receivables	19,073,690	18,035,880
- Ijarah receivables	248,259	247,445
- Other term loans/financing and syndicated term loans	33,082,512	32,347,688
Credit/charge card receivables	3,171,563	2,923,883
Bills receivable	1,447,789	1,539,682
Trust receipts	291,795	417,252
Policy and premium loans	279,261	295,962
Claims on customers under acceptance credits	8,597,022	8,817,344
Revolving credits	8,428,483	9,455,248
Staff loans/financing	123,776	127,105
Other loans/financing	125	128
Gross loans, advances and financing	<b>172,931,462</b>	<b>168,924,054</b>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	<b>(14,436)</b>	<b>(9,962)</b>
Allowance for impairment losses:		
- Expected credit losses	<b>(1,761,782)</b>	<b>(1,736,789)</b>
Total net loans, advances and financing	<b>171,155,244</b>	<b>167,177,303</b>

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,982,557,000 (30 June 2022: RM1,572,077,000).

(a) By type of customers

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	2,048,555	1,946,823
Domestic business enterprises:		
- Small and medium enterprises	31,321,806	30,175,416
- Others	24,305,821	25,204,745
Government and statutory bodies	1,247	1,387
Individuals	112,321,491	108,121,079
Other domestic entities	100,151	103,122
Foreign entities	2,832,391	3,371,482
Gross loans, advances and financing	<b>172,931,462</b>	<b>168,924,054</b>

(b) By interest/profit rate sensitivity

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Housing and shop loans/financing	1,874,829	1,387,967
- Hire purchase receivables	18,998,101	17,965,989
- Other fixed rate loans/financing	8,698,049	9,809,189
Variable rate		
- Standardised base rate/base rate/ base lending rate plus	120,582,370	116,345,805
- Cost plus	22,670,098	23,275,400
- Other variable rates	108,015	139,704
Gross loans, advances and financing	<b>172,931,462</b>	<b>168,924,054</b>



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**A12 Loans, advances and financing (continued)**

(c) By economic purposes

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Purchase of securities	1,181,876	1,311,692
Purchase of transport vehicles	18,697,800	17,653,587
Purchase of landed properties		
- Residential	86,117,204	82,434,291
- Non-residential	21,382,730	20,519,124
Purchase of fixed assets (excluding landed properties)	1,637,671	1,613,109
Personal use	3,656,890	3,706,863
Credit card	3,171,563	2,923,883
Construction	3,844,359	3,531,187
Working capital	31,830,479	33,798,279
Other purposes	1,410,890	1,432,039
Gross loans, advances and financing	<u>172,931,462</u>	<u>168,924,054</u>

(d) By geographical distribution

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Malaysia	160,565,658	157,168,978
Singapore	8,127,687	7,624,640
Hong Kong	28,716	21,090
Vietnam	1,714,315	1,652,819
Cambodia	2,495,086	2,456,527
Gross loans, advances and financing	<u>172,931,462</u>	<u>168,924,054</u>

(e) By residual contractual maturity

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Within one year	29,361,316	31,300,399
One year to less than three years	6,770,705	6,836,044
Three years to less than five years	11,316,613	11,278,670
Five years and more	125,482,828	119,508,941
Gross loans, advances and financing	<u>172,931,462</u>	<u>168,924,054</u>

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

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
At beginning of financial year	819,878	717,672
Classified as impaired during the financial period/year	730,111	1,349,630
Reclassified as non-impaired during the financial period/year	(432,713)	(620,581)
Amount written back in respect of recoveries	(122,666)	(204,699)
Amount written off	(156,089)	(424,253)
Exchange differences	(40)	2,109
At end of financial period/year	<u>838,481</u>	<u>819,878</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.5%</u>	<u>0.5%</u>

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**A12 Loans, advances and financing (continued)**

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

	The Group	
	31 December 2022 RM'000	30 June 2022 RM'000
Purchase of securities	105	232
Purchase of transport vehicles	40,350	35,282
Purchase of landed properties		
- Residential	274,558	315,073
- Non-residential	111,269	151,278
Purchase of fixed assets (excluding landed properties)	431	485
Personal use	40,716	44,522
Credit card	28,817	21,419
Construction	12,873	9,271
Working capital	235,578	207,698
Other purposes	93,784	34,618
Gross impaired loans, advances and financing	<u>838,481</u>	<u>819,878</u>

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

	The Group	
	31 December 2022 RM'000	30 June 2022 RM'000
Malaysia	812,919	805,766
Singapore	343	841
Vietnam	1,556	1,585
Cambodia	23,663	11,686
Gross impaired loans, advances and financing	<u>838,481</u>	<u>819,878</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
<b>The Group</b>				
At 1 July 2022	977,229	423,913	335,647	1,736,789
Changes in ECL due to transfer within stages	(11,208)	(121,349)	132,557	-
Transfer to Stage 1	24,444	(24,363)	(81)	-
Transfer to Stage 2	(34,485)	66,722	(32,237)	-
Transfer to Stage 3	(1,167)	(163,708)	164,875	-
New financial assets originated	23,418	150	9	23,577
Financial assets derecognised	(8,582)	(13,920)	(16,040)	(38,542)
Changes due to change in credit risk	24,242	87,950	79,907	192,099
Modifications to contractual cash flow of financial assets	9	525	349	883
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(157,050)	(157,050)
Exchange differences	310	36	(451)	(105)
Other movements	-	-	(4,322)	(4,322)
<b>At 31 December 2022</b>	<u>1,011,165</u>	<u>380,011</u>	<u>370,606</u>	<u>1,761,782</u>

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**A12 Loans, advances and financing (continued)**

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL</b>
	<b>12 months ECL RM'000</b>	<b>Lifetime ECL not credit impaired RM'000</b>	<b>Lifetime ECL credit impaired RM'000</b>	
<b>The Group</b>				
At 1 July 2021	1,075,247	459,868	234,635	1,769,750
Changes in ECL due to transfer within stages	(56,893)	(237,992)	294,885	-
Transfer to Stage 1	33,363	(33,201)	(162)	-
Transfer to Stage 2	(87,725)	148,017	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,280	240	299	39,819
Financial assets derecognised	(16,030)	(26,665)	(15,840)	(58,535)
Changes due to change in credit risk	(60,385)	235,423	250,768	425,806
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,884)	(425,884)
Exchange differences	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June 2022	<u>977,229</u>	<u>423,913</u>	<u>335,647</u>	<u>1,736,789</u>

**A13 Other assets**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 December 2022 RM'000</b>	<b>30 June 2022 RM'000</b>	<b>31 December 2022 RM'000</b>	<b>30 June 2022 RM'000</b>
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	246,839	274,377	1,346	2,635
Settlement accounts	1,155,710	708,194	-	-
Treasury related receivables	257,775	578,958	-	-
Cash collateral pledged for derivative transactions	713,664	689,029	-	-
Fee income receivables	3,858	8,961	-	-
Other receivables	186,327	171,935	-	-
	<u>2,564,219</u>	<u>2,431,500</u>	<u>1,346</u>	<u>2,635</u>

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**A14 Deposits from customers**

(a) By type of deposits

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Fixed deposits	<b>101,979,591</b>	94,334,763
Negotiable instruments of deposits	<b>5,921,751</b>	8,626,532
Short-term placements	<b>24,410,128</b>	25,984,088
	<b>132,311,470</b>	128,945,383
Demand deposits	<b>39,279,895</b>	41,151,127
Savings deposits	<b>22,757,095</b>	24,771,649
Others	<b>388,180</b>	449,369
	<b>194,736,640</b>	195,317,528
<b>At FVTPL</b>		
Structured deposits linked to interest rate derivatives	<b>3,493,052</b>	2,425,376
Fair value changes arising from designation at FVTPL [Note]	<b>(337,197)</b>	(359,983)
	<b>3,155,855</b>	2,065,393
	<b>197,892,495</b>	197,382,921

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

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>4,038,875</b>	3,703,073
Business enterprises	<b>91,663,457</b>	91,954,329
Individuals	<b>100,045,552</b>	99,418,027
Others	<b>2,144,611</b>	2,307,492
	<b>197,892,495</b>	197,382,921

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

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Due within six months	<b>101,730,294</b>	104,131,355
More than six months to one year	<b>25,183,328</b>	20,172,188
More than one year to five years	<b>4,701,104</b>	3,835,461
More than five years	<b>696,744</b>	806,379
	<b>132,311,470</b>	128,945,383

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**A15 Investment accounts of customers**

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Unrestricted investment accounts - Mudarabah with maturity	<b>2,300,366</b>	2,659,311
Restricted investment accounts - Wakalah bi Al-Istithmar	<b>1,705</b>	9,097
	<b><u>2,302,071</u></b>	<u>2,668,408</u>

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

**A16 Deposits and placements of banks and other financial institutions**

	<b>The Group</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>RM'000</b>	RM'000
Licensed banks	<b>7,550,829</b>	5,007,600
Licensed investment banks	<b>22,042</b>	22,067
Central banks [Note]	<b>1,611,390</b>	1,579,601
Other financial institutions	<b>1,629,254</b>	1,620,217
	<b><u>10,813,515</u></b>	<u>8,229,485</u>

Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,611,390,000 (30 June 2022: RM1,579,601,000) at concession rates.

**A17 Other liabilities**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 December</b>	30 June	<b>31 December</b>	30 June
	<b>2022</b>	2022	<b>2022</b>	2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Trade payables	<b>4,273,574</b>	4,149,662	-	-
Post employment benefits obligation				
- defined contribution plan	<b>1,926</b>	1,905	<b>41</b>	41
Loan advance payment	<b>3,790,830</b>	3,829,956	-	-
Treasury and cheque clearing	<b>268,031</b>	128,773	-	-
Treasury related payables	<b>374,047</b>	213,260	-	-
Sundry creditors and accruals	<b>525,389</b>	402,365	<b>1,920</b>	2,411
Provision for reinstatement cost	<b>22,392</b>	22,948	<b>271</b>	264
Provision for bonus and staff related expenses	<b>296,316</b>	244,062	<b>15,892</b>	12,152
Expected credit losses on financial guarantee contracts [Note (a)]	<b>3,982</b>	3,657	-	-
Financial liabilities due to third party investors [Note (b)]	<b>1,477,446</b>	1,589,696	-	-
Settlement accounts	<b>1,328,889</b>	824,436	-	-
Others	<b>570,115</b>	590,294	-	-
	<b><u>12,932,937</u></b>	<u>12,001,014</u>	<b><u>18,124</u></b>	<u>14,868</u>



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**A19 Interest income for financial assets at FVTPL**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial assets at FVTPL	<b>60,834</b>	65,566	<b>141,552</b>	130,879

**A20 Interest expense**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	<b>110,257</b>	16,591	<b>171,277</b>	36,949
Deposits from customers	<b>625,364</b>	399,496	<b>1,115,448</b>	790,340
Short-term placements	<b>189,745</b>	32,201	<b>313,654</b>	67,168
Borrowings	<b>2,677</b>	3,449	<b>5,394</b>	9,116
Subordinated obligations	<b>23,871</b>	23,760	<b>47,631</b>	47,520
Recourse obligations on loans sold to Cagamas Berhad	<b>5,749</b>	4,059	<b>9,777</b>	7,525
Multi-currency Additional Tier 1 capital securities	<b>22,548</b>	10,121	<b>42,819</b>	20,241
Others	<b>3,457</b>	9,837	<b>8,833</b>	21,827
	<b>983,668</b>	499,514	<b>1,714,833</b>	1,000,686

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Borrowings	<b>2,692</b>	3,463	<b>5,423</b>	9,150
Subordinated obligations	<b>18,265</b>	18,265	<b>36,531</b>	36,531
Multi-currency Additional Tier 1 capital securities	<b>8,378</b>	10,233	<b>18,610</b>	20,465
Others	<b>58</b>	72	<b>121</b>	145
	<b>29,393</b>	32,033	<b>60,685</b>	66,291

**A21 Income from Islamic banking business**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	<b>487,450</b>	326,626	<b>905,446</b>	690,816
Income derived from investment of shareholders' funds	<b>71,022</b>	71,273	<b>120,004</b>	86,312
Income derived from investment of investment accounts	<b>25,852</b>	16,908	<b>51,496</b>	24,158
Income attributable to depositors	<b>(294,684)</b>	(174,716)	<b>(521,917)</b>	(345,857)
Income attributable to depositors on investment accounts	<b>(16,321)</b>	(7,095)	<b>(30,190)</b>	(14,344)
	<b>273,319</b>	232,996	<b>524,839</b>	441,085
Of which:				
Financing income earned on impaired financing and advances	<b>1,419</b>	846	<b>2,562</b>	1,866

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**A22 Non-interest income**

	2nd Quarter Ended		Six Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
The Group				
Net income from insurance business	<u>71,103</u>	82,260	<u>142,658</u>	173,004
Net brokerage and commissions from stockbroking business	<u>11,215</u>	17,395	<u>20,688</u>	38,140
<b>Fee income</b>				
Commissions	35,447	43,486	74,593	97,657
Service charges and fees	9,470	11,241	15,867	17,144
Guarantee fees	9,205	5,350	14,661	7,953
Credit card related fees	53,571	53,390	105,248	95,584
Corporate advisory fees	2,060	1,625	3,460	3,075
Commitment fees	9,393	9,174	18,924	18,065
Loans, advances and financing fees	12,398	12,634	28,973	25,661
Placement fees	3,589	(701)	7,151	3,363
Arranger fees	351	230	366	763
Unit trust fees income	11,333	16,173	23,025	32,717
Other fees income	58,106	51,649	123,728	95,328
	<u>204,923</u>	204,251	<u>415,996</u>	397,310
<b>Net (expense)/income from securities</b>				
Net realised (loss)/gain from sale of:				
- Financial assets at FVTPL	6,284	(28,220)	17,316	(24,321)
- Financial investments at FVOCI	1,011	27,684	617	95,568
- Derivative financial instruments	(16,442)	18,757	(81,564)	4,855
	<u>(9,147)</u>	18,221	<u>(63,631)</u>	76,102
Gross dividend income from:				
- Financial assets at FVTPL	<u>14,589</u>	12,521	<u>38,401</u>	39,683
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	78,198	9,634	45,340	(16,754)
- Derivative financial instruments	(43,719)	18,155	123,215	72,592
	<u>34,479</u>	27,789	<u>168,555</u>	55,838
Net realised gain/(loss) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	<u>824</u>	(1,670)	<u>565</u>	(3,802)
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	<u>6,427</u>	(310)	<u>1,189</u>	(648)
<b>Other income/(expense)</b>				
Foreign exchange gain/(loss)	107,715	(39,274)	96,537	(59,106)
Rental income	2,621	768	5,137	2,402
Net (loss)/gain on disposal of property and equipment	(2)	164	346	159
Other non-operating income	6,023	3,474	6,308	4,998
	<u>116,357</u>	(34,868)	<u>108,328</u>	(51,547)
Total non-interest income	<u>450,770</u>	325,589	<u>832,749</u>	724,080



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**A22 Non-interest income (continued)**

	2nd Quarter Ended		Six Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<b>The Company</b>				
<b>Fees income</b>				
Management fees and outsourcing fees	1,967	2,636	4,540	5,269
<b>Net income/(expense) from securities</b>				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	-	2	-	(38)
Gross dividend income from:				
- Financial assets at FVTPL	-	65	-	193
- Subsidiary companies	75,000	62,500	603,874	579,686
<b>Other income</b>				
Other non-operating income	49	65	226	132
Total non-interest income	<b>77,016</b>	<b>65,268</b>	<b>608,640</b>	<b>585,242</b>

**A23 Overhead expenses**

	2nd Quarter Ended		Six Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<b>The Group</b>				
<b>Personnel costs</b>				
- Salaries, bonus and allowances	319,829	307,029	632,134	613,942
- Medical expenses	8,727	7,874	16,765	15,501
- Training and convention expenses	3,932	2,052	6,230	4,252
- Staff welfare	2,871	2,709	5,489	6,613
- Others	(3,826)	(835)	4,745	8,819
	<b>331,533</b>	<b>318,829</b>	<b>665,363</b>	<b>649,127</b>
<b>Establishment costs</b>				
- Depreciation of property and equipment	30,948	32,534	62,361	65,580
- Depreciation of right-of-use assets	12,228	12,072	25,135	25,493
- Amortisation of intangible assets	15,622	14,497	31,084	28,624
- Rental of premises	403	684	855	1,160
- Information technology expenses	63,702	56,336	126,204	114,195
- Security services	5,530	5,100	10,377	11,589
- Electricity, water and sewerage	5,158	5,195	11,164	11,256
- Hire of plant and machinery	3,458	3,051	6,557	6,552
- Others	8,838	7,900	16,942	16,712
	<b>145,887</b>	<b>137,369</b>	<b>290,679</b>	<b>281,161</b>
<b>Marketing expenses</b>				
- Advertisement and publicity	8,484	5,837	14,934	12,303
- Sales commission and credit card related fees	41,214	32,395	79,892	54,187
- Others	13,457	12,951	27,471	19,983
	<b>63,155</b>	<b>51,183</b>	<b>122,297</b>	<b>86,473</b>
<b>Administration and general expenses</b>				
- Teletransmission expenses	6,025	5,911	11,752	11,651
- Stationery and printing expenses	3,008	2,818	6,111	5,997
- Professional fees	28,762	20,301	53,468	45,372
- Insurance fees	10,916	6,357	20,483	12,703
- Stamp, postage and courier	3,214	3,209	7,479	6,580
- Credit card fees	19,503	14,458	38,757	21,831
- Travelling and transport expenses	1,002	784	1,754	1,334
- Registration and license fees	2,530	2,609	5,332	5,107
- Brokerage and commission	3,281	3,033	6,107	5,901
- Others	10,069	14,401	20,382	27,361
	<b>88,310</b>	<b>73,881</b>	<b>171,625</b>	<b>143,837</b>
Total overhead expenses	<b>628,885</b>	<b>581,262</b>	<b>1,249,964</b>	<b>1,160,598</b>

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**A23 Overhead expenses (continued)**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
The Company	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus and allowances	5,180	5,224	10,368	10,499
- Medical expenses	3	2	5	3
- Training and convention expenses	3	2	10	3
- Staff welfare	162	136	328	263
- Others	1,117	(758)	4,507	509
	<b>6,465</b>	<b>4,606</b>	<b>15,218</b>	<b>11,277</b>
Establishment costs				
- Depreciation of property and equipment	310	132	582	264
- Depreciation of right-of-use assets	235	235	470	470
- Amortisation of intangible assets	22	10	32	20
- Information technology expenses	56	24	118	54
- Electricity, water and sewerage	6	6	16	13
- Others	96	37	147	81
	<b>725</b>	<b>444</b>	<b>1,365</b>	<b>902</b>
Administration and general expenses				
- Teletransmission expenses	5	9	12	13
- Stationery and printing expenses	3	4	8	4
- Professional fees	244	425	494	655
- Management fees	598	583	1,196	1,167
- Others	118	103	216	204
	<b>969</b>	<b>1,124</b>	<b>1,927</b>	<b>2,043</b>
Total overhead expenses	<b>8,159</b>	<b>6,174</b>	<b>18,510</b>	<b>14,222</b>

**A24 Allowance for impairment losses on loans, advances and financing and other losses**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
The Group	RM'000	RM'000	RM'000	RM'000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	87,376	95,252	186,827	192,427
- Clients' and brokers' balances	(65)	(39)	(159)	(138)
Impaired loans, advances and financing:				
- Written off	6,381	4,741	15,575	8,329
- Recovered from bad debt written off	(68,452)	(66,754)	(139,542)	(118,899)
	<b>25,240</b>	<b>33,200</b>	<b>62,701</b>	<b>81,719</b>

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**A25 Allowance for/(writeback) of impairment losses on other assets**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
The Group	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	180	(165)	135	(369)
- Financial investments at amortised cost	(4)	(30)	(47)	(68)
- Other receivables	455	(20)	460	(12)
- Cash and short-term funds	32	(147)	32	(111)
- Deposits and placements with banks and other financial institutions	305	(67)	46	(57)
	<b>968</b>	<b>(429)</b>	<b>626</b>	<b>(617)</b>

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
The Company	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(990)	196	(1,203)	1

**A26 Capital adequacy**

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

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

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

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**A26 Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2022	30 June 2022	31 December 2022	30 June 2022	31 December 2022	30 June 2022	31 December 2022	30 June 2022
<b>Before deducting proposed dividends</b>								
CET 1 capital ratio	11.585%	12.025%	13.236%	13.935%	13.528%	13.912%	39.346%	39.445%
Tier 1 capital ratio	12.701%	13.220%	14.322%	15.050%	14.594%	14.999%	39.346%	39.445%
Total capital ratio	<b>15.608%</b>	16.130%	<b>16.414%</b>	17.176%	<b>16.616%</b>	17.051%	<b>51.105%</b>	50.437%
<b>After deducting proposed dividends</b>								
CET 1 capital ratio	11.459%	11.792%	12.956%	13.428%	13.169%	13.266%	39.346%	35.367%
Tier 1 capital ratio	12.576%	12.987%	14.042%	14.543%	14.234%	14.353%	39.346%	35.367%
Total capital ratio	<b>15.483%</b>	15.897%	<b>16.134%</b>	16.669%	<b>16.257%</b>	16.404%	<b>51.105%</b>	46.359%

(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 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000
<b>CET 1 capital</b>								
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	21,268,725	20,937,790	23,139,030	22,727,982	15,336,740	15,120,482	248,941	287,881
Other reserves	533,275	651,730	410,521	592,754	(215,662)	(283,282)	(14,484)	(19,792)
Qualifying non-controlling interests	7,252,369	6,896,206	-	-	-	-	-	-
Less: Treasury shares	(233,107)	(236,039)	(709,690)	(713,690)	(709,690)	(713,690)	-	-
Less: Other intangible assets	(316,341)	(309,817)	(310,387)	(304,749)	(274,017)	(269,645)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(34,565)	(33,638)
Less: Deferred tax assets	-	-	(485,442)	(528,771)	(366,977)	(403,666)	(103,083)	(110,559)
Less: Investment in subsidiary companies/ associated companies	(10,494,462)	(9,640,457)	(7,251,296)	(6,455,474)	(3,253,536)	(2,794,291)	(200)	(200)
Total CET 1 capital	<b>17,931,180</b>	18,220,134	<b>20,700,487</b>	21,225,803	<b>16,484,374</b>	16,623,424	<b>349,559</b>	376,642

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**A26 Capital adequacy (continued)**

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2022	30 June 2022	31 December 2022	30 June 2022	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Tier 1 capital</b>								
Multi-currency Additional Tier 1 capital securities	399,811	799,932	1,698,306	1,698,839	1,698,306	1,698,839	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,328,672	1,011,415	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,728,483	1,811,347	1,698,306	1,698,839	1,698,306	1,698,839	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,728,483	1,811,347	1,698,306	1,698,839	1,298,306	1,298,839	-	-
Total Tier 1 capital	19,659,663	20,031,481	22,398,793	22,924,642	17,782,680	17,922,263	349,559	376,642
<b>Tier 2 capital</b>								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,742,507	1,718,509	1,771,795	1,738,471	1,364,487	1,350,820	4,461	4,952
Subordinated obligations	1,599,920	1,599,900	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1,157,100	1,090,639	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,499,527	4,409,048	3,271,765	3,238,441	2,464,457	2,450,790	104,461	104,952
Total capital	24,159,190	24,440,529	25,670,558	26,163,083	20,247,137	20,373,053	454,020	481,594

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**A26 Capital adequacy (continued)**

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

	<b>Hong Leong Financial Group</b>		<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>31 December</b>	30 June	<b>31 December</b>	30 June	<b>31 December</b>	30 June	<b>31 December</b>	30 June
	<b>2022</b>	2022	<b>2022</b>	2022	<b>2022</b>	2022	<b>2022</b>	2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Credit risk [Note]	<b>139,400,540</b>	137,480,719	<b>141,743,575</b>	139,077,644	<b>109,158,926</b>	108,065,582	<b>356,875</b>	396,120
Market risk	<b>5,215,734</b>	4,254,505	<b>4,904,125</b>	3,917,894	<b>4,889,298</b>	3,934,497	<b>185,155</b>	217,123
Operational risk	<b>10,169,601</b>	9,789,061	<b>9,742,460</b>	9,327,630	<b>7,802,736</b>	7,485,705	<b>346,384</b>	341,603
Total RWA	<b>154,785,875</b>	151,524,285	<b>156,390,160</b>	152,323,168	<b>121,850,960</b>	119,485,784	<b>888,414</b>	954,846

Note:

In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,625,600,000 (30 June 2022: RM1,899,820,000) 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:

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
<b>Before deducting proposed dividends</b>		
CET 1 capital ratio	<b>11.401%</b>	11.176%
Tier 1 capital ratio	<b>12.709%</b>	12.550%
Total capital ratio	<b>15.195%</b>	15.101%
<b>After deducting proposed dividends</b>		
CET 1 capital ratio	<b>11.401%</b>	11.176%
Tier 1 capital ratio	<b>12.709%</b>	12.550%
Total capital ratio	<b>15.195%</b>	15.101%

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**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 December 2022.

**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 the following:

- (a) HLG Capital Markets Sdn Bhd, a wholly-owned subsidiary of Hong Leong Capital Berhad, was dissolved on 10 February 2023.

**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:

	<b>The Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Commitments and contingencies</b>		
Direct credit substitutes	222,439	138,103
Certain transaction related contingent items	2,232,975	2,024,547
Short-term self liquidating trade related contingencies	805,436	853,412
Obligations under underwriting agreement	-	7,140
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- More than one year	1,000	-
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	909,547	919,747
Irrevocable commitments to extend credit:		
- Less than one year	27,668,405	23,913,907
- More than one year	17,985,679	17,538,803
Unutilised credit card lines	6,809,200	7,090,121
	<b>56,634,681</b>	<b>52,485,780</b>
<b>Derivative financial instruments</b>		
Foreign exchange related contracts:		
- Less than one year	73,832,807	58,120,986
- One year to less than five years	6,532,096	5,944,644
- Five years and above	491,680	396,495
Interest rate related contracts:		
- Less than one year	40,947,594	35,859,070
- One year to less than five years	73,429,005	55,088,368
- Five years and above	4,571,936	4,308,323
Equity related contracts:		
- Less than one year	320,098	245,878
- One year to less than five years	555,108	102,899
- Five years and above	-	270,542
Credit related contracts:		
- one year to less than five years	4,204	-
- Five years and above	1,096,398	938,327
Commodity related contracts:		
- Less than one year	835,856	438,428
- One year to less than five years	49,168	493,416
	<b>202,665,950</b>	<b>162,207,376</b>
	<b>259,300,631</b>	<b>214,693,156</b>

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**A31 Fair value of financial instruments**

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

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

**Determination of fair value and fair value hierarchy**

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

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

Valuation techniques

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

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

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

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>31 December 2022</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets at FVTPL				
- Money market instruments	-	15,227,267	-	15,227,267
- Quoted securities	7,257,354	-	-	7,257,354
- Unquoted securities	-	7,612,204	382,663	7,994,867
Financial investments at FVOCI				
- Money market instruments	-	18,428,017	-	18,428,017
- Quoted securities	3,341,582	-	-	3,341,582
- Unquoted securities	-	8,453,243	83,386	8,536,629
Derivative financial instruments	10,180	1,966,822	57,791	2,034,793
	<b>10,609,116</b>	<b>51,687,553</b>	<b>523,840</b>	<b>62,820,509</b>



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**A31 Fair value of financial instruments (continued)**

**Determination of fair value and fair value hierarchy (continued)**

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>31 December 2022</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	949	2,785,796	56,446	2,843,191
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,155,855	-	3,155,855
	<u>949</u>	<u>5,941,651</u>	<u>56,446</u>	<u>5,999,046</u>
<b>30 June 2022</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets at FVTPL				
- Money market instruments	-	14,498,064	-	14,498,064
- Quoted securities	7,226,794	-	-	7,226,794
- Unquoted securities	-	7,363,108	382,663	7,745,771
Financial investments at FVOCI				
- Money market instruments	-	16,024,171	-	16,024,171
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	8,455,174	83,386	8,538,560
Derivative financial instruments	9,909	1,787,458	104,802	1,902,169
	<u>10,126,915</u>	<u>48,127,975</u>	<u>570,851</u>	<u>58,825,741</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	104	1,661,392	103,510	1,765,006
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,065,393	-	2,065,393
	<u>104</u>	<u>3,726,785</u>	<u>103,510</u>	<u>3,830,399</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2022: RM Nil).

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**A31 Fair value of financial instruments (continued)**

**Determination of fair value and fair value hierarchy (continued)**

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

	Financial assets			Financial liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>				
At 1 July 2022	382,663	83,386	104,802	103,510
Fair value changes recognised in statements of income	-	-	5,149	5,149
Purchases	-	-	41,099	41,063
Settlements	-	-	(93,259)	(93,276)
<b>At 31 December 2022</b>	<b>382,663</b>	<b>83,386</b>	<b>57,791</b>	<b>56,446</b>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2022	-	-	5,149	5,149
At 1 July 2021	374,729	69,094	76,913	76,913
Fair value changes recognised in statements of income	7,934	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
At 30 June 2022	382,663	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	7,934	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-

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 RM1,435.6 million for the current quarter ended 31 December 2022 as compared to RM1,201.6 million in the previous corresponding quarter, an increase of RM234.0 million or 19.5%. The increase was mainly due to higher contribution from commercial banking and insurance divisions.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM1,287.4 million for the current quarter ended 31 December 2022 as compared to RM1,076.5 million in the previous corresponding quarter, an increase of RM210.9 million or 19.6%. The increase was mainly due to higher share of profit from associated companies of RM121.9 million, higher revenue of RM115.1 million and lower allowance for impairment losses on loans, advances & financing of RM7.9 million. This was offset by higher operating expenses of RM33.1 million and allowance for impairment losses on financial investments and other assets of RM0.9 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM140.4 million for the current quarter ended 31 December 2022 as compared to RM108.1 million in the previous corresponding quarter, an increase of RM32.3 million or 29.9%. The increase was mainly due to higher revenue of RM66.7 million. This was offset by higher operating expenses of RM14.9 million, lower life fund surplus of RM13.2 million and lower share of profit from associated company of RM6.3 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM15.3 million for the current quarter ended 31 December 2022 as compared to RM21.3 million in the previous corresponding quarter, a decrease of RM6.0 million or 28.2%. The decrease was mainly due to lower contribution from investment banking & stockbroking as well as fund management & unit trust management divisions.

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

HLFG Group recorded a profit before tax of RM2,697.8 million for the period ended 31 December 2022 as compared to RM2,376.0 million in the previous corresponding year, an increase of RM321.8 million or 13.5%. The increase was due to higher contribution from commercial banking divisions.

HLB recorded a profit before tax of RM2,474.5 million for the period ended 31 December 2022 as compared to RM2,118.6 million in the previous corresponding year, an increase of RM355.9 million or 16.8%. The increase was mainly due to higher revenue of RM235.1 million, higher share of profit from associated companies of RM168.8 million and lower allowance for impairment losses on loans, advances and financing of RM19.1 million. This was offset by higher operating expenses of RM66.4 million and allowance for impairment losses on financial investment and other assets of RM0.7 million.

HLAH recorded a profit before tax of RM208.1 million for the period ended 31 December 2022 as compared to RM217.0 million in the previous corresponding year, a decrease of RM8.9 million or 4.1%. The decrease was mainly due to lower life fund surplus of RM30.7 million, higher operating expenses of RM24.4 million and lower share of profit from associated company of RM20.8 million. This was mitigated by higher revenue of RM67.0 million.

HLCB recorded a profit before tax of RM36.1 million for the period ended 31 December 2022 as compared to RM58.2 million in the previous corresponding year, a decrease of RM22.1 million or 38.0%. This was mainly due to lower contribution from investment banking & stockbroking as well as fund management & unit trust management divisions.

**B2 Current quarter against preceding quarter**

HLFG Group recorded a profit before tax of RM1,435.6 million for the current quarter ended 31 December 2022 as compared to RM1,262.2 million in the preceding quarter, an increase of RM173.4 million or 13.7%. The increase was mainly due to higher contribution from commercial banking and insurance divisions.

HLB recorded a profit before tax of RM1,287.4 million for the current quarter ended 31 December 2022 as compared to RM1,187.1 million in the preceding quarter, an increase of RM100.3 million or 8.4%. The increase was mainly due to higher share of profit from associated companies of RM108.0 million and lower allowance for impairment losses on loans, advances and financing of RM12.2 million. This was offset by lower revenue of RM13.6 million, higher operating expenses of RM5.4 million and allowance for impairment losses on financial investment and other assets of RM0.9 million.

HLAH recorded a profit before tax of RM140.4 million for the current quarter ended 31 December 2022 as compared to RM67.7 million in the preceding quarter, an increase of RM72.7 million or 107.4%. The increase was mainly due to higher revenue of RM73.3 million and higher share of profit from associated company of RM3.6 million. This was offset by higher operating expenses of RM1.6 million and lower life fund surplus of RM2.6 million.

HLCB recorded a profit before tax of RM15.3 million for the current quarter ended 31 December 2022 as compared to RM20.8 million in the preceding quarter, a decrease of RM5.5 million or 26.4%. This was mainly due to lower contribution from investment banking & stockbroking as well as fund management & unit trust management divisions.

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

**B3 Prospects for the current financial year**

Global economy is anticipated to decelerate, reflecting synchronous policy tightening by central banks aimed at raising interest rates to bring down inflation. Despite global headwinds, Malaysia is expected to remain resilient spur by the reopening of China's borders, stable external trade performance and robust domestic demand underpinned by improvements in business climate while local monetary policy remains non-restrictive. We expect Malaysia economic growth momentum to continue into 2023 but at a moderated pace of 4% from a high of 8% last year. Hence, we are cautiously optimistic on the outlook of the Malaysia economy into 2023.

**B4 Variance in profit forecast and shortfall in profit guarantee**

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

**B5 Taxation**

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax	230,269	340,623	450,452	538,205
Transfer from deferred tax	47,377	22,276	50,311	36,268
	<u>277,646</u>	<u>362,899</u>	<u>500,763</u>	<u>574,473</u>
Prior year over provision	(2,841)	(148)	(2,835)	(1,901)
	<u>274,805</u>	<u>362,751</u>	<u>497,928</u>	<u>572,572</u>

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
<b>The Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax	89	(18)	178	87
Transfer to deferred tax	(30)	(36)	(30)	(157)
	<u>59</u>	<u>(54)</u>	<u>148</u>	<u>(70)</u>

The Company's effective tax rate for the current financial period was higher than the statutory tax rate of 24% due to certain expenses being disallowed for tax purpose.

**B6 Status of corporate proposals**

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

**B7 Borrowings**

	The Group		The Company	
	31 December	30 June	31 December	30 June
	2022	2022	2022	2022
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Unsecured</b>				
RM Revolving credit	-	100,075	-	100,075
RM Commercial papers	-	109,920	-	109,920
RM Senior notes	201,982	201,936	201,938	201,863
	<u>201,982</u>	<u>411,931</u>	<u>201,938</u>	<u>411,858</u>
Repayment of revolving credit				
- Less than one year	-	100,075	-	100,075
Repayment of commercial papers				
- Less than one year	-	109,920	-	109,920
Repayment of senior notes				
- One to three years	201,982	201,936	201,938	201,863
	<u>201,982</u>	<u>411,931</u>	<u>201,938</u>	<u>411,858</u>

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

B8 Subordinated obligations

	Note	The Group		The Company	
		31 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000
Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,835	4,710	-	-
		<b>604,835</b>	<b>604,710</b>	<b>-</b>	<b>-</b>
Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		2,670	2,473	2,670	2,473
		<b>1,602,670</b>	<b>1,602,473</b>	<b>1,602,670</b>	<b>1,602,473</b>
Less: Unamortised discounts		(80)	(100)	(588)	(849)
		<b>1,602,590</b>	<b>1,602,373</b>	<b>1,602,082</b>	<b>1,601,624</b>
		<b>2,207,425</b>	<b>2,207,083</b>	<b>1,602,082</b>	<b>1,601,624</b>

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

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

The Sub-Notes constitute unsecured liabilities of the Company.

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 December 2022 RM'000	30 June 2022 RM'000	31 December 2022 RM'000	30 June 2022 RM'000
Multi-currency Additional Tier 1 capital securities, at par	1,700,000	1,700,000	400,000	800,000
Add: Interest payable	15,837	13,712	4,965	6,799
	<u>1,715,837</u>	<u>1,713,712</u>	<u>404,965</u>	<u>806,799</u>
Less: Unamortised discounts	(1,682)	(1,145)	(189)	(368)
Add: Fair value changes arising from fair value hedge	3,809	3,282	-	-
	<u>1,717,964</u>	<u>1,715,849</u>	<u>404,776</u>	<u>806,431</u>

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

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

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

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities") out of its multi-currency perpetual notes programme. The Green Capital Securities carry a distribution rate of 4.45% per annum are perpetual and non-callable for 5 year with an Issuer's call option to redeem at the end of year 5.

On 14 October 2022, HLB issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The Capital Securities, which qualify as Additional Tier 1 capital for HLB, carry a distribution rate of 4.70% per annum. The Capital Securities are perpetual 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 December 2022

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	62,994,056	755,096	(1,353,008)
(ii) 1 year to 3 years	719,833	235	(14,619)
(iii) More than 3 years	1,003,993	-	(38,926)
- Swaps			
(i) Less than 1 year	5,175,120	131,025	(73,353)
(ii) 1 year to 3 years	3,601,833	112,871	(80,472)
(iii) More than 3 years	1,424,407	28,898	(43,750)
- Options			
(i) Less than 1 year	5,663,631	20,896	(21,363)
(ii) 1 year to 3 years	273,710	3,313	(1,198)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	3,028,460	14,253	(2,973)
(ii) 1 year to 3 years	1,490,000	15,060	(5,162)
(iii) More than 3 years	1,404,000	11,380	(8,322)
- Swaps			
(i) Less than 1 year	37,919,134	58,175	(117,297)
(ii) 1 year to 3 years	29,650,640	165,928	(211,529)
(iii) More than 3 years	45,456,301	576,269	(731,803)
Equity related contracts			
(i) Less than 1 year	320,098	3,427	(3,064)
(ii) 1 year to 3 years	59,001	4,054	(4,008)
(iii) More than 3 years	496,107	50,662	(49,374)
Credit related contracts			
(ii) 1 year to 3 years	4,204	281	-
(iii) More than 3 years	1,096,398	69,941	(69,941)
Commodity related contracts			
(i) Less than 1 year	835,856	11,644	(11,644)
(ii) 1 year to 3 years	49,168	1,385	(1,385)
<b>Total</b>	<b>202,665,950</b>	<b>2,034,793</b>	<b>(2,843,191)</b>

## 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 2022

## The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	46,033,010	703,399	(213,346)
(ii) 1 year to 3 years	609,044	5,503	(136)
(iii) More than 3 years	930,442	9,586	(237)
- Swaps			
(i) Less than 1 year	6,881,982	102,256	(88,574)
(ii) 1 year to 3 years	2,986,090	99,294	(115,596)
(iii) More than 3 years	1,408,216	29,513	(57,286)
- Options			
(i) Less than 1 year	5,205,994	48,789	(48,156)
(ii) 1 year to 3 years	407,347	4,178	(2,447)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,044,262	10,146	(32,739)
- Swaps			
(i) Less than 1 year	33,814,808	40,571	(67,099)
(ii) 1 year to 3 years	30,729,412	164,897	(250,407)
(iii) More than 3 years	28,667,279	535,681	(741,971)
Equity related contracts			
(i) Less than 1 year	245,878	2,212	(2,212)
(ii) 1 year to 3 years	3,645	99	(99)
(iii) More than 3 years	369,796	102,541	(101,199)
Credit related contracts			
(iii) More than 3 years	938,327	39,156	(39,156)
Commodity related contracts			
(i) Less than 1 year	438,428	1,757	(1,755)
(ii) 1 year to 3 years	493,416	2,591	(2,591)
<b>Total</b>	<b>162,207,376</b>	<b>1,902,169</b>	<b>(1,765,006)</b>

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 RM237,679,000 (30 June 2022: RM480,304,000) and RM114,925,005,000 (30 June 2022: RM92,034,265,000) respectively.

Derivatives

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



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

B10 Off-balance sheet financial instruments (continued)

**Credit risk**

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM2,403,552,000 (30 June 2022: RM2,203,729,000). 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**

A single-tier interim dividend of 17.0 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 17.0 sen per share
- (ii) Previous corresponding period: 15.0 sen per share
- (iii) Entitlement date: 15 March 2023
- (iv) Payment date: 30 March 2023

**B13 Earnings per share**

(a) Basic earnings per share

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

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Net profit attributable to equity holders	<b>770,836</b>	559,486	<b>1,452,576</b>	1,200,048
Weighted average number of ordinary shares ('000)	<b>1,134,049</b>	1,133,850	<b>1,133,997</b>	1,133,820
<b>Basic earnings per share (sen)</b>	<b>68.0</b>	49.3	<b>128.1</b>	105.8

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>				
Net profit attributable to equity holders equity holders	<b>67,112</b>	54,870	<b>585,115</b>	560,639
Weighted average number of ordinary shares ('000)	<b>1,138,141</b>	1,137,942	<b>1,138,089</b>	1,137,911
<b>Basic earnings per share (sen)</b>	<b>5.9</b>	4.8	<b>51.4</b>	49.3

(b) Diluted earnings per share

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

Dated this 28 February 2023