

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	The Group		The Company	
		31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
Assets					
Cash and short-term funds		13,156,731	9,605,894	9,209	26,609
Deposits and placements with banks and other financial institutions		1,728,400	1,300,746	121,860	3,360
Financial assets at fair value through profit or loss	A9	31,265,240	29,470,629	-	-
Financial investments at fair value through other comprehensive income	A10	30,232,989	27,452,943	-	-
Financial investments at amortised cost	A11	31,974,297	33,608,857	-	-
Derivative financial instruments	B10	1,537,637	1,902,169	-	-
Loans, advances and financing	A12	173,054,246	167,177,303	-	-
Clients' and brokers' balances		609,478	722,181	-	-
Other assets	A13	2,012,118	2,431,500	2,733	2,635
Statutory deposits with Central Banks		3,360,164	520,650	-	-
Tax recoverable		14,641	6,262	582	492
Deferred tax assets		117,552	364,931	161	229
Investment in subsidiary companies		-	-	19,071,361	19,459,428
Investment in associated companies		8,958,722	7,660,825	-	-
Property and equipment		1,264,801	1,274,380	5,650	4,803
Right-of-use assets		197,303	214,355	3,369	4,075
Investment properties		471,610	471,610	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		339,674	324,938	159	76
Total Assets		302,706,247	286,920,817	19,215,084	19,501,707
Liabilities					
Deposits from customers	A14	201,632,675	197,382,921	-	-
Investment accounts of customers	A15	2,880,733	2,668,408	-	-
Deposits and placements of banks and other financial institutions	A16	7,765,620	8,229,485	-	-
Obligations on securities sold under repurchase agreements		11,249,108	3,971,304	-	-
Bills and acceptances payable		142,831	241,361	-	-
Derivative financial instruments	B10	1,721,431	1,765,006	-	-
Clients' and brokers' balances		204,408	306,901	-	-
Other liabilities	A17	11,614,132	12,001,014	11,390	14,868
Lease liabilities		198,917	212,599	3,581	4,249
Recourse obligations on loans/financing sold to Cagamas Berhad		2,974,579	1,623,936	-	-
Provision for claims		362,442	338,005	-	-
Provision for taxation		95,300	331,101	-	-
Borrowings	B7	200,515	411,931	200,484	411,858
Subordinated obligations	B8	2,224,846	2,207,083	1,619,951	1,601,624
Multi-currency Additional Tier 1 capital securities	B9	1,728,208	1,715,849	400,007	806,431
Insurance funds		19,230,089	17,524,189	-	-
Total Liabilities		264,225,834	250,931,093	2,235,413	2,839,030
Equity					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		23,991,338	22,244,622	14,887,388	14,573,325
Treasury shares for ESS		(233,108)	(236,039)	(174,725)	(177,656)
Total Shareholders' Equity		26,025,238	24,275,591	16,979,671	16,662,677
Non-controlling interests		12,455,175	11,714,133	-	-
Total Equity		38,480,413	35,989,724	16,979,671	16,662,677
Total Liabilities and Equity		302,706,247	286,920,817	19,215,084	19,501,707
Commitments and Contingencies	A30	258,433,714	214,693,156	-	-
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)		22.95	21.41	14.92	14.64

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 MARCH 2023

	Note	3rd Quarter Ended		Nine Months Ended	
		31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group					
Interest income	A18	1,929,916	1,407,051	5,494,521	4,215,291
Interest income for financial assets at fair value through profit or loss	A19	39,534	69,935	181,086	200,814
Interest expense	A20	(1,093,060)	(508,598)	(2,807,893)	(1,509,284)
Net interest income		876,390	968,388	2,867,714	2,906,821
Income from Islamic banking business	A21	208,898	224,397	733,737	665,482
		1,085,288	1,192,785	3,601,451	3,572,303
Non-interest income	A22	529,497	309,769	1,362,246	1,033,849
Net income		1,614,785	1,502,554	4,963,697	4,606,152
Overhead expenses	A23	(644,180)	(589,592)	(1,894,144)	(1,750,190)
Operating profit before allowances		970,605	912,962	3,069,553	2,855,962
Allowance for impairment losses on loans, advances and financing and other losses	A24	(38,181)	(51,187)	(100,882)	(132,906)
Writeback of/(allowance for) impairment losses on other assets	A25	124	(130)	(502)	487
		932,548	861,645	2,968,169	2,723,543
Share of results of associated companies		341,289	268,108	1,003,453	782,212
Profit before taxation		1,273,837	1,129,753	3,971,622	3,505,755
Taxation	B5	(210,003)	(257,985)	(707,931)	(830,557)
Net profit for the financial period		1,063,834	871,768	3,263,691	2,675,198
Attributable to:					
Owners of the parent		712,453	577,478	2,165,029	1,777,526
Non-controlling interests		351,381	294,290	1,098,662	897,672
		1,063,834	871,768	3,263,691	2,675,198
Earnings per share attributable to equity holders of the Company - basic (sen)		62.8	50.9	190.9	156.8

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 MARCH 2023

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group				
Net profit for the financial period	1,063,834	871,768	3,263,691	2,675,198
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of associated companies	766	(4,976)	(855)	220
Debt instruments at fair value through other comprehensive income				
- Net fair value changes	249,744	(274,462)	382,158	(807,272)
- Changes in expected credit losses	151	(44)	278	(407)
Net fair value changes in cash flow hedge	-	4,611	362	10,475
Currency translation differences	150,296	87,957	(88,200)	204,681
Income tax relating to components of other comprehensive (loss)/income	(41,209)	54,515	(78,076)	174,284
Other comprehensive income/(loss) for the financial period, net of tax	359,748	(132,399)	215,667	(418,019)
Total comprehensive income for the financial period	1,423,582	739,369	3,479,358	2,257,179
Attributable to:				
Owners of the parent	949,863	488,854	2,310,827	1,500,926
Non-controlling interests	473,719	250,515	1,168,531	756,253
	1,423,582	739,369	3,479,358	2,257,179

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 MARCH 2023

		3rd Quarter Ended		Nine Months Ended	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
The Company	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	22,713	27,308	77,328	83,149
Interest expense	A20	(24,134)	(30,643)	(84,819)	(96,934)
Net interest expense		(1,421)	(3,335)	(7,491)	(13,785)
Non-interest income	A22	285,244	242,627	893,884	827,869
Net income		283,823	239,292	886,393	814,084
Overhead expenses	A23	(7,543)	(3,980)	(26,053)	(18,202)
(Allowance for)/writeback of impairment losses on other assets	A25	(423)	196	780	195
Profit before taxation		275,857	235,508	861,120	796,077
Taxation	B5	170	(261)	22	(191)
Net profit for the financial period		276,027	235,247	861,142	795,886
Earnings per share attributable to equity holders of the Company - basic (sen)		24.3	20.7	75.7	69.9

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
The Company	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	276,027	235,247	861,142	795,886
Other comprehensive income for the financial period, net of tax	-	-	-	-
Total comprehensive income for the financial period	276,027	235,247	861,142	795,886

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 MARCH 2023

<u>The Group</u>	← Attributable to owner of the parent →											
	Share capital RM'000	Regulatory reserve# RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 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
<u>Comprehensive income</u>												
Net profit for the financial period	-	-	-	-	-	-	2,165,029	-	-	2,165,029	1,098,662	3,263,691
Currency translation differences	-	-	-	-	-	-	(55,793)	-	-	(55,793)	(32,407)	(88,200)
Share of other comprehensive loss of associated companies	-	-	789	-	-	-	-	-	-	789	(1,644)	(855)
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	200,436	-	-	-	-	-	-	200,436	103,729	304,165
- Changes in expected credit losses	-	-	181	-	-	-	-	-	-	181	97	278
Net fair value changes in cash flow hedge	-	-	-	185	-	-	-	-	-	185	94	279
Total comprehensive income/(loss)	-	-	201,406	185	-	-	(55,793)	2,165,029	-	2,310,827	1,168,531	3,479,358
<u>Transaction with owners</u>												
Transfer to regulatory reserve	-	219,808	-	-	-	-	-	(219,808)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	690	-	690	(690)	-
Dividends paid	-	-	-	-	-	-	-	(546,285)	-	(546,285)	-	(546,285)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(431,723)	(431,723)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	4,924	4,924
Options charge arising from executive share scheme	-	-	-	-	-	(11,929)	-	-	-	(11,929)	-	(11,929)
Exercise of executive share scheme	-	-	-	-	-	(15,220)	-	8,633	2,931	(3,656)	-	(3,656)
At 31 March 2023	2,267,008	886,342	(339,905)	-	213,314	33,717	851,821	22,346,049	(233,108)	26,025,238	12,455,175	38,480,413

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 MARCH 2023

	← Attributable to owner of the parent →											Total equity RM'000
	Share capital RM'000	Regulatory reserve# RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non-controlling interests RM'000	
At 1 July 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
Comprehensive income												
Net profit for the financial period	-	-	-	-	-	-	-	1,777,526	-	1,777,526	897,672	2,675,198
Currency translation differences	-	-	-	-	-	-	134,545	-	-	134,545	70,136	204,681
Share of other comprehensive loss of associated companies	-	-	(1,384)	-	-	-	-	-	-	(1,384)	1,604	220
Financial investments measured at fair value through other comprehensive income												
- Debt instruments												
- Net fair value changes	-	-	(414,713)	-	-	-	-	-	-	(414,713)	(215,763)	(630,476)
- Changes in expected credit losses	-	-	(267)	-	-	-	-	-	-	(267)	(140)	(407)
Net fair value changes in cash flow hedge	-	-	-	5,219	-	-	-	-	-	5,219	2,744	7,963
Total comprehensive (loss)/income	-	-	(416,364)	5,219	-	-	134,545	1,777,526	-	1,500,926	756,253	2,257,179
Transaction with owners												
Transfer to regulatory reserve	-	137,452	-	-	-	-	-	(137,452)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,062)	-	(4,062)	4,062	-
Dividends paid	-	-	-	-	-	-	-	(502,967)	-	(502,967)	-	(502,967)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	(401,835)	(401,835)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	-	5,340	5,340
Options charge arising from executive share scheme	-	-	-	-	-	(22,738)	-	19,667	-	(3,071)	-	(3,071)
Exercise of executive share scheme	-	-	-	-	-	(14,992)	-	9,445	2,931	(2,616)	-	(2,616)
At 31 March 2022	<u>2,267,008</u>	<u>574,555</u>	<u>(330,989)</u>	<u>1,260</u>	<u>213,314</u>	<u>58,575</u>	<u>883,771</u>	<u>20,375,194</u>	<u>(236,039)</u>	<u>23,806,649</u>	<u>11,478,819</u>	<u>35,285,468</u>

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM875,097,000 (31 March 2022: RM563,310,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2022: RM11,245,000).

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

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	← 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	
<u>The Company</u>						
At 1 July 2022	2,267,008	254,991	2,685	(177,656)	14,315,649	16,662,677
Net profit for the financial period	-	-	-	-	861,142	861,142
Dividends paid	-	-	-	-	(546,285)	(546,285)
Options charge arising from executive share scheme	-	-	2,137	-	-	2,137
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 March 2023	2,267,008	254,991	1,952	(174,725)	14,630,445	16,979,671
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	-	-	-	-	795,886	795,886
Dividends paid	-	-	-	-	(502,967)	(502,967)
Options charge arising from executive share scheme	-	-	(19,667)	-	19,667	-
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 March 2022	2,267,008	254,991	1,678	(177,656)	14,323,530	16,669,551

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 CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	The Group		The Company	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Cash flows from operating activities				
Profit before taxation	3,971,622	3,505,755	861,120	796,077
Adjustment for non-cash items	(247,957)	(1,326,425)	(874,918)	(806,392)
Operating profit/(loss) before working capital changes	3,723,665	2,179,330	(13,798)	(10,315)
Income tax paid	(899,163)	(753,475)	-	9,847
Interest received	1,439	401	1,439	401
Changes in working capital:				
Net changes in operating assets	(7,942,741)	(9,879,301)	(97)	(834)
Net changes in operating liabilities	10,717,550	8,901,413	(3,500)	(4,730)
Net cash generated from/(used in) operating activities	5,600,750	448,368	(15,956)	(5,631)
Cash flows from investing activities				
Net (purchases)/disposal of financial investments at fair value through other comprehensive income	(3,666,200)	6,098,043	-	-
Net disposal/(purchases) of financial investments at amortised cost	1,634,610	(6,042,205)	-	-
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,163,341	1,024,077	-	-
Purchase of intangible assets	(23,584)	(27,677)	(136)	(1)
Purchase of property and equipment	(107,972)	(104,227)	(1,739)	(2,375)
Net proceeds from disposal of property and equipment	512	350	113	160
Dividends received from other investments	65,224	57,068	-	193
Dividends received from subsidiary companies	-	-	885,303	820,911
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	-	-	-	-
- Interest on Multi-currency Additional Tier 1 capital securities	-	-	29,224	29,168
- Interest on subordinated obligations	-	-	35,512	35,645
Net cash (used in)/generated from investing activities	(934,069)	1,085,383	1,348,277	883,701
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(546,285)	(502,967)	(546,284)	(502,967)
Dividends paid to non-controlling interests	(431,723)	(401,835)	-	-
Cash received from executive share scheme exercised	-	916	-	-
Repayment of lease liabilities	(10,382)	(11,505)	(668)	(633)
Repayment of revolving credit	(100,000)	(25,000)	(100,000)	(25,000)
(Repayment)/proceeds from commercial papers	(110,000)	(1,000)	(110,000)	(1,000)
Repayment of senior notes	-	(175,000)	-	(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	2,300,000	500,000	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(962,937)	-	-	-
Interest paid on Multi-currency Additional Tier 1 capital securities	(29,826)	(29,768)	(29,826)	(29,768)
Interest paid on subordinated obligations	(53,184)	(53,310)	(36,074)	(36,208)
Interest paid on borrowings	(8,217)	(16,298)	(8,216)	(16,768)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(34,706)	(94,190)	-	-
Interest paid on lease liabilities	(6,670)	(6,349)	(153)	(188)
Net cash used in financing activities	6,070	(817,306)	(1,231,221)	(813,532)
Net increase in cash and cash equivalents	4,672,751	716,445	101,100	64,538
Effects of exchange rate changes	(55,793)	(56,243)	-	-
Cash and cash equivalents at beginning of the financial year	9,605,894	9,193,042	26,669	10,674
Cash and cash equivalents at end of financial period	14,222,852	9,853,244	127,769	75,212
Analysis of cash and cash equivalents				
Cash and short-term funds	13,156,731	9,882,823	9,209	75,152
Deposits and placements with banks and other financial institutions	1,728,400	2,913,503	121,860	3,360
	14,885,131	12,796,326	131,069	78,512
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(662,279)	(2,943,082)	(3,300)	(3,300)
	14,222,852	9,853,244	127,769	75,212

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)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

A1 Basis of preparation

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

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 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 March 2023 other than movements as disclosed in note B7, B8, B9 and as mentioned below.

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

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

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

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

During the financial period ended 31 March 2023, a total of 156,404 grant shares were vested and transferred pursuant to the Company's ESGS.

As at 31 March 2023, the total number of Treasury Shares for ESS is 9,323,192 at an average price of RM18.74 per share and the total consideration paid, including transaction costs was RM174,725,000.

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 31 March 2023 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESS at the Group level.

A7 Dividends paid

A single-tier final 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.

A single-tier interim dividend of 17.0 sen per share, amounting to approximately RM193,493,000 in respect of the financial period ended 31 December 2022 paid on 30 March 2023.

A8 Segmental reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

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A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
31 March 2023						
Revenue						
External revenue	4,361,519	152,853	457,090	(7,765)	-	4,963,697
Inter-segment revenue	20,828	(71)	1,898	874,762	(897,417)	-
Segment revenue	<u>4,382,347</u>	<u>152,782</u>	<u>458,988</u>	<u>866,997</u>	<u>(897,417)</u>	<u>4,963,697</u>
Results						
Segment results	2,635,309	52,550	304,400	861,115	(885,205)	2,968,169
Share of results of associated companies						<u>1,003,453</u>
Profit before taxation						<u>3,971,622</u>
Taxation						<u>(707,931)</u>
Net profit for the financial period						<u>3,263,691</u>
Non-controlling interests						<u>(1,098,662)</u>
Profit attributable to owners of the parent						<u><u>2,165,029</u></u>
Other information						
Segment assets	269,407,883	4,305,952	29,353,743	19,215,109	(19,576,440)	<u><u>302,706,247</u></u>
Segment liabilities	236,476,237	3,349,605	25,167,356	2,237,058	(3,004,422)	<u><u>264,225,834</u></u>

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A8 Segmental reporting (continued)

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

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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Money market instruments:		
Bank Negara Malaysia bills	-	49,806
Government treasury bills	1,172,660	2,083,409
Malaysian Government securities	4,864,209	4,323,656
Malaysian Government investment certificates	1,809,204	741,032
Negotiable instruments of deposit	1,748,449	1,473,440
Cagamas bonds	30,657	65,587
Other Government securities	6,189,803	5,761,134
	15,814,982	14,498,064
Quoted securities:		
Shares in Malaysia	5,218,233	4,758,170
Shares outside Malaysia	669,233	553,017
Wholesale fund/unit trust investments	897,132	749,777
Portfolio Investment Accounts [Note]	1,412	9,097
Foreign currency bonds in Malaysia	7,046	11,938
Foreign currency bonds outside Malaysia	-	31,120
Convertible bonds outside Malaysia	636,728	1,108,752
Investment-linked funds	269	305
Loan stocks	1,007	1,073
Warrants in Malaysia	1,899	3,545
	7,432,959	7,226,794
Unquoted securities:		
Shares in Malaysia	382,664	382,664
Foreign currency bonds outside Malaysia	8,981	9,047
Government sukuk	-	101,766
Corporate bonds and sukuk	7,512,319	7,141,464
Perpetual bonds	88,335	85,830
Redeemable preference shares	25,000	25,000
	8,017,299	7,745,771
Total financial assets at FVTPL	31,265,240	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")

		The Group	
		31 March	30 June
		2023	2022
	Note	RM'000	RM'000
At fair value			
Debt instruments	(a)	30,149,603	27,369,557
Equity instruments	(b)	83,386	83,386
		30,232,989	27,452,943

(a) Debt instruments

Money market instruments:

Government treasury bills	1,254,759	-
Malaysian Government securities	3,898,389	3,791,081
Malaysian Government investment certificates	9,344,525	9,197,348
Negotiable instruments of deposit	-	1,796,800
Khazanah bonds	360,141	348,079
Cagamas bonds	2,649,180	890,863
	17,506,994	16,024,171

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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
(a) Debt instruments (continued)		
Quoted securities:		
Government sukuk	830,079	831,321
Foreign currency bonds in Malaysia	1,622,434	1,216,476
Foreign currency bonds outside Malaysia	1,141,793	842,415
	<u>3,594,306</u>	<u>2,890,212</u>
Unquoted securities:		
Government sukuk	50,851	417,257
Corporate bonds and sukuk	8,292,305	7,537,091
Foreign currency bonds in Malaysia	359,889	175,112
Foreign currency bonds outside Malaysia	345,258	325,714
	<u>9,048,303</u>	<u>8,455,174</u>
	<u>30,149,603</u>	<u>27,369,557</u>

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL
	12 months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 July 2022	1,981	-	17,407	19,388
New financial assets originated or purchased	853	-	-	853
Financial assets derecognised	(161)	-	-	(161)
Changes due to change in credit risk	(431)	-	-	(431)
Exchange differences	16	-	34	50
At 31 March 2023	<u>2,258</u>	<u>-</u>	<u>17,441</u>	<u>19,699</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>

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
(b) Equity instruments		
Unquoted securities:		
Shares in Malaysia	<u>83,386</u>	<u>83,386</u>

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A11 Financial investments at amortised cost

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Money market instruments:		
Government treasury bills	57,572	57,612
Malaysian Government securities	6,088,880	5,413,511
Malaysian Government investment certificates	22,941,980	23,305,894
Cagamas bonds	1,658,586	416,700
Khazanah bonds	14,266	13,889
Other Government securities	405,541	419,246
	31,166,825	29,626,852
Quoted securities:		
Foreign currency bonds outside Malaysia	18,289	62,174
Unquoted securities:		
Government sukuk	50,617	2,583,133
Corporate bonds and sukuk	738,585	1,336,766
	789,202	3,919,899
Less: Expected credit losses	(19)	(68)
Total financial investments at amortised cost	31,974,297	33,608,857

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

	Stage 1	Stage 2	Stage 3	Total ECL
	12 months	Lifetime ECL	Lifetime ECL	
The Group	ECL	not credit	credit	ECL
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 July 2022	68	-	-	68
Changes due to change in credit risk	(50)	-	-	(50)
Exchange differences	1	-	-	1
At 31 March 2023	19	-	-	19
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	68	-	-	68

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A12 Loans, advances and financing

	The Group	
	31 March 2023 RM'000	30 June 2022 RM'000
Overdrafts	3,621,867	3,546,936
Term loans/financing:		
- Housing and shop loans/financing	96,095,758	91,169,501
- Hire purchase receivables	19,498,054	18,035,880
- Ijarah receivables	244,916	247,445
- Other term loans/financing and syndicated term loans	33,438,349	32,347,688
Credit/charge card receivables	3,175,630	2,923,883
Bills receivable	1,610,993	1,539,682
Trust receipts	337,272	417,252
Policy and premium loans	270,354	295,962
Claims on customers under acceptance credits	8,347,927	8,817,344
Revolving credits	8,079,620	9,455,248
Staff loans/financing	123,643	127,105
Other loans/financing	124	128
Gross loans, advances and financing	174,844,507	168,924,054
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(13,530)	(9,962)
Allowance for impairment losses:		
- Expected credit losses	(1,776,731)	(1,736,789)
Total net loans, advances and financing	173,054,246	167,177,303

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM2,960,562,000 (30 June 2022: RM1,572,077,000).

(a) By type of customers

	The Group	
	31 March 2023 RM'000	30 June 2022 RM'000
Domestic non-bank financial institutions	2,072,299	1,946,823
Domestic business enterprises:		
- Small and medium enterprises	31,360,248	30,175,416
- Others	24,207,918	25,204,745
Government and statutory bodies	1,177	1,387
Individuals	114,177,541	108,121,079
Other domestic entities	100,036	103,122
Foreign entities	2,925,288	3,371,482
Gross loans, advances and financing	174,844,507	168,924,054

(b) By interest/profit rate sensitivity

	The Group	
	31 March 2023 RM'000	30 June 2022 RM'000
Fixed rate		
- Housing and shop loans/financing	3,316,867	1,387,967
- Hire purchase receivables	19,432,749	17,965,989
- Other fixed rate loans/financing	8,643,289	9,809,189
Variable rate		
- Standardised base rate/base rate/ base lending rate plus	120,519,014	116,345,805
- Cost plus	22,841,516	23,275,400
- Other variable rates	91,072	139,704
Gross loans, advances and financing	174,844,507	168,924,054

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A12 Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Purchase of securities	1,229,841	1,311,692
Purchase of transport vehicles	19,161,146	17,653,587
Purchase of landed properties		
- Residential	87,701,533	82,434,291
- Non-residential	21,637,726	20,519,124
Purchase of fixed assets (excluding landed properties)	1,526,397	1,613,109
Personal use	3,773,783	3,706,863
Credit card	3,175,630	2,923,883
Construction	3,998,302	3,531,187
Working capital	31,243,909	33,798,279
Other purposes	1,396,240	1,432,039
Gross loans, advances and financing	<u>174,844,507</u>	<u>168,924,054</u>

(d) By geographical distribution

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Malaysia	162,045,174	157,168,978
Singapore	8,605,623	7,624,640
Hong Kong	35,648	21,090
Vietnam	1,671,174	1,652,819
Cambodia	2,486,888	2,456,527
Gross loans, advances and financing	<u>174,844,507</u>	<u>168,924,054</u>

(e) By residual contractual maturity

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Within one year	28,728,826	31,300,399
One year to less than three years	7,050,812	6,836,044
Three years to less than five years	10,915,209	11,278,670
Five years and more	128,149,660	119,508,941
Gross loans, advances and financing	<u>174,844,507</u>	<u>168,924,054</u>

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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
At beginning of financial year	819,878	717,672
Classified as impaired during the financial period/year	1,090,411	1,349,630
Reclassified as non-impaired during the financial period/year	(610,403)	(620,581)
Amount written back in respect of recoveries	(171,195)	(204,699)
Amount written off	(224,926)	(424,253)
Exchange differences	62	2,109
At end of financial period/year	<u>903,827</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 March	30 June
	2023	2022
	RM'000	RM'000
Purchase of securities	91	232
Purchase of transport vehicles	42,742	35,282
Purchase of landed properties		
- Residential	290,449	315,073
- Non-residential	113,668	151,278
Purchase of fixed assets (excluding landed properties)	5,068	485
Personal use	51,615	44,522
Credit card	31,012	21,419
Construction	12,088	9,271
Working capital	262,634	207,698
Other purposes	94,460	34,618
Gross impaired loans, advances and financing	903,827	819,878

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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Malaysia	876,093	805,766
Singapore	599	841
Vietnam	1,539	1,585
Cambodia	25,596	11,686
Gross impaired loans, advances and financing	903,827	819,878

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

	Stage 1	Stage 2	Stage 3	Total ECL
	12 months	Lifetime ECL	Lifetime ECL	
The Group	ECL	not credit	credit	RM'000
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 July 2022	977,229	423,913	335,647	1,736,789
Changes in ECL due to transfer within stages	(26,063)	(157,506)	183,569	-
Transfer to Stage 1	30,649	(30,560)	(89)	-
Transfer to Stage 2	(55,001)	102,177	(47,176)	-
Transfer to Stage 3	(1,711)	(229,123)	230,834	-
New financial assets originated	36,372	487	15	36,874
Financial assets derecognised	(12,149)	(21,788)	(20,818)	(54,755)
Changes due to change in credit risk	22,780	147,789	110,982	281,551
Modifications to contractual cash flow of financial assets	9	670	349	1,028
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(225,771)	(225,771)
Exchange differences	608	50	(647)	11
Other movements	-	-	(7,449)	(7,449)
At 31 March 2023	1,004,533	396,321	375,877	1,776,731

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A12 Loans, advances and financing (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 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	977,229	423,913	335,647	1,736,789

A13 Other assets

	The Group		The Company	
	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	258,898	274,377	2,733	2,635
Settlement accounts	720,060	708,194	-	-
Treasury related receivables	247,460	578,958	-	-
Cash collateral pledged for derivative transactions	663,666	689,029	-	-
Fee income receivables	3,362	8,961	-	-
Other receivables	118,626	171,935	-	-
	2,012,118	2,431,500	2,733	2,635

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A14 Deposits from customers

(a) By type of deposits

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
At amortised cost		
Fixed deposits	110,929,938	94,334,763
Negotiable instruments of deposits	10,117,081	8,626,532
Short-term placements	16,712,618	25,984,088
	137,759,637	128,945,383
Demand deposits	37,820,563	41,151,127
Savings deposits	22,423,572	24,771,649
Others	405,744	449,369
	198,409,516	195,317,528
At FVTPL		
Structured deposits linked to interest rate derivatives	3,530,487	2,425,376
Fair value changes arising from designation at FVTPL [Note]	(307,328)	(359,983)
	3,223,159	2,065,393
	201,632,675	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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Government and statutory bodies	4,818,242	3,703,073
Business enterprises	92,246,175	91,954,329
Individuals	102,351,647	99,418,027
Others	2,216,611	2,307,492
	201,632,675	197,382,921

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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Due within six months	111,502,856	104,131,355
More than six months to one year	22,442,689	20,172,188
More than one year to five years	3,065,897	3,835,461
More than five years	748,195	806,379
	137,759,637	128,945,383

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A15 Investment accounts of customers

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Unrestricted investment accounts - Mudarabah with maturity	2,879,321	2,659,311
Restricted investment accounts - Wakalah bi Al-Istithmar	1,412	9,097
	<u>2,880,733</u>	<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

	The Group	
	31 March	30 June
	2023	2022
	RM'000	RM'000
Licensed banks	4,357,621	5,007,600
Licensed investment banks	176,712	22,067
Central banks [Note]	1,622,054	1,579,601
Other financial institutions	1,609,233	1,620,217
	<u>7,765,620</u>	<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 RM1,622,054,000 (30 June 2022: RM1,579,601,000) at concession rates.

A17 Other liabilities

	The Group		The Company	
	31 March	30 June	31 March	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Trade payables	4,308,403	4,149,662	-	-
Post employment benefits obligation				
- defined contribution plan	1,934	1,905	41	41
Loan advance payment	3,736,648	3,829,956	-	-
Treasury and cheque clearing	104,716	128,773	-	-
Treasury related payables	417,610	213,260	-	-
Sundry creditors and accruals	443,770	402,365	1,863	2,411
Provision for reinstatement cost	22,264	22,948	275	264
Provision for bonus and staff related expenses	181,205	244,062	9,211	12,152
Expected credit losses on financial guarantee contracts [Note (a)]	7,708	3,657	-	-
Financial liabilities due to third party investors [Note (b)]	1,257,516	1,589,696	-	-
Settlement accounts	727,830	824,436	-	-
Others	404,528	590,294	-	-
	<u>11,614,132</u>	<u>12,001,014</u>	<u>11,390</u>	<u>14,868</u>

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A19 Interest income for financial assets at FVTPL

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Group	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	39,534	69,935	181,086	200,814

A20 Interest expense

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Group	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	123,949	17,435	295,226	54,384
Deposits from customers	755,039	399,087	1,870,487	1,189,427
Short-term placements	161,444	44,582	475,098	111,750
Borrowings	1,406	2,681	6,800	11,797
Subordinated obligations	23,316	23,417	70,947	70,937
Recourse obligations on loans sold to Cagamas Berhad	5,017	3,940	14,794	11,465
Multi-currency Additional Tier 1 capital securities	19,361	9,901	62,180	30,142
Others	3,528	7,555	12,361	29,382
	1,093,060	508,598	2,807,893	1,509,284

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Company	RM'000	RM'000	RM'000	RM'000
Borrowings	1,419	2,695	6,842	11,845
Subordinated obligations	17,869	17,869	54,400	54,400
Multi-currency Additional Tier 1 capital securities	4,792	10,011	23,402	30,476
Others	54	68	175	213
	24,134	30,643	84,819	96,934

A21 Income from Islamic banking business

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	480,958	339,001	1,386,404	1,029,817
Income derived from investment of shareholders' funds	63,109	38,651	183,113	124,963
Income derived from investment of investment accounts	34,892	31,678	86,388	55,836
Income attributable to depositors	(344,435)	(175,110)	(866,352)	(520,967)
Income attributable to depositors on investment accounts	(25,626)	(9,823)	(55,816)	(24,167)
	208,898	224,397	733,737	665,482
Of which:				
Financing income earned on impaired financing and advances	1,242	1,577	3,804	3,443

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A22 Non-interest income

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group				
Net income from insurance business	<u>101,153</u>	<u>77,103</u>	<u>243,811</u>	<u>250,107</u>
Net brokerage and commissions from stockbroking business	<u>13,293</u>	<u>17,244</u>	<u>33,981</u>	<u>55,384</u>
Fee income				
Commissions	39,463	41,231	114,056	138,888
Service charges and fees	13,156	12,063	29,023	29,207
Guarantee fees	5,396	4,444	20,057	12,397
Credit card related fees	52,560	47,783	157,808	143,367
Corporate advisory fees	1,000	1,900	4,460	4,975
Commitment fees	9,041	9,223	27,965	27,288
Loans, advances and financing fees	11,564	13,468	40,537	39,129
Placement fees	2,254	665	9,405	4,028
Arranger fees	50	710	416	1,473
Unit trust fees income	11,498	13,413	34,523	46,130
Other fees income	56,815	64,444	180,543	159,772
	<u>202,797</u>	<u>209,344</u>	<u>618,793</u>	<u>606,654</u>
Net income/(expense) from securities				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	51,004	(3,252)	68,320	(27,573)
- Financial investments at FVOCI	35,167	6,919	35,784	102,487
- Derivative financial instruments	63,012	(332)	(18,552)	4,523
	<u>149,183</u>	<u>3,335</u>	<u>85,552</u>	<u>79,437</u>
Gross dividend income from:				
- Financial assets at FVTPL	25,083	17,385	63,484	57,068
- Financial investments at FVOCI	1,740	-	1,740	-
	<u>26,823</u>	<u>17,385</u>	<u>65,224</u>	<u>57,068</u>
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	10,914	(45,061)	56,254	(61,815)
- Derivative financial instruments	(67,087)	112,158	56,128	184,750
	<u>(56,173)</u>	<u>67,097</u>	<u>112,382</u>	<u>122,935</u>
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>5,183</u>	<u>(1,678)</u>	<u>5,748</u>	<u>(5,480)</u>
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	<u>478</u>	<u>(102)</u>	<u>1,667</u>	<u>(750)</u>
Other income/(expense)				
Foreign exchange gain/(loss)	76,648	(89,305)	173,185	(148,411)
Rental income	2,657	4,133	7,794	6,535
Net gain on disposal of property and equipment	1	169	347	328
Other non-operating income	7,454	5,044	13,762	10,042
	<u>86,760</u>	<u>(79,959)</u>	<u>195,088</u>	<u>(131,506)</u>
Total non-interest income	<u>529,497</u>	<u>309,769</u>	<u>1,362,246</u>	<u>1,033,849</u>

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A22 Non-interest income (continued)

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Company				
Fees income				
Management fees and outsourcing fees	3,759	1,184	8,299	6,453
Net expense from securities				
Net realised loss from sale of:				
- Financial assets at FVTPL	-	-	-	(38)
Gross dividend income from:				
- Financial assets at FVTPL	-	-	-	193
- Subsidiary companies	281,429	241,225	885,303	820,911
Other income				
Other non-operating income	56	218	282	350
Total non-interest income	<u>285,244</u>	<u>242,627</u>	<u>893,884</u>	<u>827,869</u>

A23 Overhead expenses

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group				
Personnel costs				
- Salaries, bonus and allowances	331,623	312,031	963,757	925,973
- Medical expenses	9,160	8,583	25,925	24,084
- Training and convention expenses	3,328	3,209	9,558	7,461
- Staff welfare	2,934	3,510	8,423	10,123
- Others	10,039	1,392	14,784	10,211
	<u>357,084</u>	<u>328,725</u>	<u>1,022,447</u>	<u>977,852</u>
Establishment costs				
- Depreciation of property and equipment	29,276	32,464	91,637	98,044
- Depreciation of right-of-use assets	12,340	12,213	37,475	37,706
- Amortisation of intangible assets	15,812	14,993	46,896	43,617
- Rental of premises	578	692	1,433	1,852
- Information technology expenses	65,993	54,896	192,197	169,091
- Security services	5,444	4,600	15,821	16,189
- Electricity, water and sewerage	5,497	4,999	16,661	16,255
- Hire of plant and machinery	3,510	2,806	10,067	9,358
- Others	8,866	8,320	25,808	25,032
	<u>147,316</u>	<u>135,983</u>	<u>437,995</u>	<u>417,144</u>
Marketing expenses				
- Advertisement and publicity	9,852	7,966	24,786	20,269
- Sales commission and credit card related fees	35,657	36,193	115,549	90,380
- Others	12,816	14,445	40,287	34,428
	<u>58,325</u>	<u>58,604</u>	<u>180,622</u>	<u>145,077</u>
Administration and general expenses				
- Teletransmission expenses	5,191	5,759	16,943	17,410
- Stationery and printing expenses	2,889	2,866	9,000	8,863
- Professional fees	25,034	18,029	78,502	63,401
- Insurance fees	12,052	11,211	32,535	23,914
- Stamp, postage and courier	3,910	3,992	11,389	10,572
- Credit card fees	14,398	9,949	53,155	31,780
- Travelling and transport expenses	958	532	2,712	1,866
- Registration and license fees	3,106	2,484	8,438	7,591
- Brokerage and commission	2,883	3,026	8,990	8,927
- Others	11,034	8,432	31,416	35,793
	<u>81,455</u>	<u>66,280</u>	<u>253,080</u>	<u>210,117</u>
Total overhead expenses	<u>644,180</u>	<u>589,592</u>	<u>1,894,144</u>	<u>1,750,190</u>

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A23 Overhead expenses (continued)

The Company	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus and allowances	5,163	1,804	15,531	12,303
- Medical expenses	6	10	11	13
- Training and convention expenses	6	-	16	3
- Staff welfare	177	190	505	453
- Others	724	347	5,231	856
	6,076	2,351	21,294	13,628
Establishment costs				
- Depreciation of property and equipment	310	246	892	510
- Depreciation of right-of-use assets	235	235	705	705
- Amortisation of intangible assets	21	9	53	29
- Information technology expenses	62	36	180	90
- Electricity, water and sewerage	12	12	28	25
- Others	35	54	182	135
	675	592	2,040	1,494
Administration and general expenses				
- Teletransmission expenses	5	4	17	17
- Stationery and printing expenses	4	6	12	10
- Professional fees	234	267	728	922
- Management fees	441	641	1,637	1,808
- Travelling and transport expenses	-	1	1	1
- Others	108	118	324	322
	792	1,037	2,719	3,080
Total overhead expenses	7,543	3,980	26,053	18,202

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

The Group	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	89,961	103,037	276,788	295,464
- Clients' and brokers' balances	150	(91)	(9)	(229)
Impaired loans, advances and financing:				
- Written off	7,108	5,909	22,683	14,238
- Recovered from bad debt written off	(59,038)	(57,668)	(198,580)	(176,567)
	38,181	51,187	100,882	132,906

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A25 (Writeback of)/allowance for impairment losses on other assets

	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Group	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	126	(55)	261	(424)
- Financial investments at amortised cost	(3)	43	(50)	(25)
- Other receivables	(79)	4	381	(8)
- Cash and short-term funds	(54)	61	(22)	(50)
- Deposits and placements with banks and other financial institutions	(114)	77	(68)	20
	(124)	130	502	(487)
	3rd Quarter Ended		Nine Months Ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
The Company	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	423	(196)	(780)	(195)

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 March 2023	30 June 2022	31 March 2023	30 June 2022	31 March 2023	30 June 2022	31 March 2023	30 June 2022
Before deducting proposed dividends								
CET 1 capital ratio	11.256%	12.025%	12.857%	13.935%	13.235%	13.912%	41.326%	39.445%
Tier 1 capital ratio	12.375%	13.220%	13.937%	15.050%	14.293%	14.999%	41.326%	39.445%
Total capital ratio	15.270%	16.130%	16.021%	17.176%	16.307%	17.051%	53.173%	50.437%
After deducting proposed dividends								
CET 1 capital ratio	11.256%	11.792%	12.857%	13.428%	13.235%	13.266%	41.326%	35.367%
Tier 1 capital ratio	12.375%	12.987%	13.937%	14.543%	14.293%	14.353%	41.326%	35.367%
Total capital ratio	15.270%	15.897%	16.021%	16.669%	16.307%	16.404%	53.173%	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 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
CET 1 capital								
Share capital	2,267,008	2,267,008	7,739,063	7,739,063	7,739,063	7,739,063	252,950	252,950
Retained profit	21,038,744	20,937,790	22,680,159	22,727,982	14,871,792	15,120,482	248,941	287,881
Other reserves	770,192	651,730	757,507	592,754	(37,267)	(283,282)	(5,457)	(19,792)
Qualifying non-controlling interests	7,401,655	6,896,206	-	-	-	-	-	-
Less: Treasury shares	(233,107)	(236,039)	(708,766)	(713,690)	(708,766)	(713,690)	-	-
Less: Other intangible assets	(325,547)	(309,817)	(319,758)	(304,749)	(283,755)	(269,645)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(34,451)	(33,638)
Less: Deferred tax assets	-	-	(423,615)	(528,771)	(314,708)	(403,666)	(97,350)	(110,559)
Less: Investment in subsidiary companies/ associated companies	(11,028,936)	(9,640,457)	(7,686,680)	(6,455,474)	(3,255,688)	(2,794,291)	(200)	(200)
Total CET 1 capital	17,543,722	18,220,134	20,206,598	21,225,803	16,239,124	16,623,424	364,433	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 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
	Tier 1 capital							
Multi-currency Additional Tier 1 capital securities	399,849	799,932	1,698,399	1,698,839	1,698,399	1,698,839	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,344,409	1,011,415	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,744,258	1,811,347	1,698,399	1,698,839	1,698,399	1,698,839	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,744,258	1,811,347	1,698,399	1,698,839	1,298,399	1,298,839	-	-
Total Tier 1 capital	19,287,980	20,031,481	21,904,997	22,924,642	17,537,523	17,922,263	364,433	376,642
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,749,547	1,718,509	1,774,864	1,738,471	1,370,517	1,350,820	4,478	4,952
Subordinated obligations	1,599,930	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	1,163,041	1,090,639	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,512,518	4,409,048	3,274,834	3,238,441	2,470,487	2,450,790	104,478	104,952
Total capital	23,800,498	24,440,529	25,179,831	26,163,083	20,008,010	20,373,053	468,911	481,594

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 March	30 June	31 March	30 June	31 March	30 June	31 March	30 June
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk [Note]	139,963,769	137,480,719	141,989,087	139,077,644	109,641,348	108,065,582	358,203	396,120
Market risk	5,484,246	4,254,505	5,199,226	3,917,894	5,049,468	3,934,497	172,380	217,123
Operational risk	10,419,172	9,789,061	9,980,631	9,327,630	8,008,781	7,485,705	351,273	341,603
Total RWA	155,867,187	151,524,285	157,168,944	152,323,168	122,699,597	119,485,784	881,856	954,846

Note:

In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM2,019,030,000 (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:

	Hong Leong Islamic Bank Berhad	
	31 March	30 June
	2023	2022
Before deducting proposed dividends		
CET 1 capital ratio	11.534%	11.176%
Tier 1 capital ratio	12.840%	12.550%
Total capital ratio	15.320%	15.101%
After deducting proposed dividends		
CET 1 capital ratio	11.534%	11.176%
Tier 1 capital ratio	12.840%	12.550%
Total capital ratio	15.320%	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 March 2023

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) On 17 January 2023, Hong Leong Bank Berhad announced that it had placed EB Nominees (Tempatan) Sendirian Berhad ("EB Nominees (Tempatan)"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Tempatan) is currently dormant and there are no future plans to activate the Company.
- (b) HLG Capital Markets Sdn Bhd, a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), was dissolved on 10 February 2023.
- (c) On 3 May 2023, HLCB announced that the liquidator of SSSB Jaya (1987) Sdn Bhd ("SSSB Jaya"), an indirect wholly-owned subsidiary of HLCB, had convened the final meeting to conclude the creditors' voluntary winding-up of SSSB Jaya. The Returns by Liquidator Relating to Final Meeting of SSSB Jaya were lodged with the Companies Commission of Malaysia and the Official Receiver on 3 May 2023 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, SSSB Jaya will be dissolved.

A29 Related party transactions

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

A30 Commitments and contingencies

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

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

	The Group	
	31 March 2023 RM'000	30 June 2022 RM'000
Commitments and contingencies		
Direct credit substitutes	216,998	138,103
Certain transaction related contingent items	2,403,883	2,024,547
Short-term self liquidating trade related contingencies	862,935	853,412
Obligations under underwriting agreement	-	7,140
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- Less than one year	916,489	919,747
Irrevocable commitments to extend credit:		
- Less than one year	28,639,710	23,913,907
- More than one year	17,314,094	17,538,803
Unutilised credit card lines	6,821,916	7,090,121
	57,176,025	52,485,780
Derivative financial instruments		
Foreign exchange related contracts:		
- Less than one year	68,065,628	58,120,986
- One year to less than five years	6,078,494	5,944,644
- Five years and above	472,619	396,495
Interest rate related contracts:		
- Less than one year	40,784,877	35,859,070
- One year to less than five years	78,556,217	55,088,368
- Five years and above	4,400,564	4,308,323
Equity related contracts:		
- Less than one year	355,789	245,878
- One year to less than five years	543,375	102,899
- Five years and above	-	270,542
Credit related contracts:		
- less than one year	79,674	-
- Five years and above	1,178,396	938,327
Commodity related contracts:		
- Less than one year	742,056	438,428
- One year to less than five years	-	493,416
	201,257,689	162,207,376
	258,433,714	214,693,156

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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	
31 March 2023				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	15,814,982	-	15,814,982
- Quoted securities	7,432,959	-	-	7,432,959
- Unquoted securities	-	7,634,636	382,663	8,017,299
Financial investments at FVOCI				
- Money market instruments	-	17,506,994	-	17,506,994
- Quoted securities	3,594,306	-	-	3,594,306
- Unquoted securities	-	9,048,303	83,386	9,131,689
Derivative financial instruments	1,437	1,481,521	54,679	1,537,637
	<u>11,028,702</u>	<u>51,486,436</u>	<u>520,728</u>	<u>63,035,866</u>

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A31 Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 March 2023				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	24,383	1,644,263	52,785	1,721,431
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,223,159	-	3,223,159
	<u>24,383</u>	<u>4,867,422</u>	<u>52,785</u>	<u>4,944,590</u>
30 June 2022				
Recurring fair value measurements				
Financial assets				
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>
Financial liabilities				
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
The Group				
At 1 July 2022	382,663	83,386	104,802	103,510
Fair value changes recognised in statements of income	-	-	10,330	10,330
Purchases	-	-	38,462	37,864
Settlements	-	-	(98,915)	(98,919)
At 31 March 2023	382,663	83,386	54,679	52,785
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2023	-	-	10,330	10,330
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 RM1,273.8 million for the current quarter ended 31 March 2023 as compared to RM1,129.8 million in the previous corresponding quarter, an increase of RM144.0 million or 12.7%. 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 RM1,111.7 million for the current quarter ended 31 March 2023 as compared to RM1,030.8 million in the previous corresponding quarter, an increase of RM80.9 million or 7.8%. The increase was mainly due to higher share of profit from associated companies of RM60.4 million, higher revenue of RM48.2 million, lower allowance for impairment losses on loans, advances & financing of RM13.3 million and lower allowance for impairment losses on financial investments & other assets of RM0.1 million. This was offset by higher operating expenses of RM41.1 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM148.8 million for the current quarter ended 31 March 2023 as compared to RM87.8 million in the previous corresponding quarter, an increase of RM61.0 million or 69.5%. The increase was mainly due to higher revenue of RM33.3 million, higher life fund surplus of RM20.8 million and higher share of profit from associated company of RM12.8 million. This was offset by higher operating expenses of RM5.9 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM16.4 million for the current quarter ended 31 March 2023 as compared to RM26.5 million in the previous corresponding quarter, a decrease of RM10.1 million or 38.1%. 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 RM3,971.6 million for the period ended 31 March 2023 as compared to RM3,505.8 million in the previous corresponding year, an increase of RM465.8 million or 13.3%. The increase was due to higher contribution from commercial banking and insurance divisions.

HLB recorded a profit before tax of RM3,586.3 million for the period ended 31 March 2023 as compared to RM3,149.5 million in the previous corresponding year, an increase of RM436.8 million or 13.9%. The increase was mainly due to higher revenue of RM283.3 million, higher share of profit from associated companies of RM229.3 million and lower allowance for impairment losses on loans, advances and financing of RM32.4 million. This was offset by higher operating expenses of RM107.6 million and higher allowance for impairment losses on financial investment and other assets of RM0.6 million.

HLAH recorded a profit before tax of RM356.9 million for the period ended 31 March 2023 as compared to RM304.8 million in the previous corresponding year, an increase of RM52.1 million or 17.1%. The increase was mainly due to higher revenue of RM100.2 million. This was offset by higher operating expenses of RM30.2 million, lower life fund surplus of RM9.9 million and lower share of profit from associated company of RM8.0 million.

HLCB recorded a profit before tax of RM52.6 million for the period ended 31 March 2023 as compared to RM84.7 million in the previous corresponding year, a decrease of RM32.1 million or 37.9%. 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 RM1,273.8 million for the current quarter ended 31 March 2023 as compared to RM1,435.6 million in the preceding quarter, a decrease of RM161.8 million or 11.3%. The decrease was mainly due to lower contribution from commercial banking division.

HLB recorded a profit before tax of RM1,111.7 million for the current quarter ended 31 March 2023 as compared to RM1,287.4 million in the preceding quarter, a decrease of RM175.7 million or 13.6%. The decrease was mainly due to lower revenue of RM90.2 million, lower share of profit from associated companies of RM60.1 million, higher operating expenses of RM13.3 million and higher allowance for impairment losses on loans, advances and financing of RM12.7 million. This was mitigated by lower allowance for impairment losses on financial investment & other assets of RM0.6 million

HLAH recorded a profit before tax of RM148.8 million for the current quarter ended 31 March 2023 as compared to RM140.4 million in the preceding quarter, an increase of RM8.4 million or 6.0%. The increase was mainly due to higher life fund surplus of RM37.6 million and higher share of profit from associated company of RM14.5 million. This was offset by lower revenue of RM43.1 million and higher operating expenses of RM0.6 million.

HLCB recorded a profit before tax of RM16.4 million for the current quarter ended 31 March 2023 as compared to RM15.3 million in the preceding quarter, an increase of RM1.1 million or 7.2%. This was mainly due to higher contribution from investment banking & stockbroking.

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

B3 Prospects for the current financial year

Looking ahead, the world economy is expected to decelerate as it grapples with weaker demand, heightened geopolitical polarisation, and the effects of sharp increases in interest rates that risks triggering a global recession. The International Monetary Fund projects that global growth will bottom out at 2.8% in 2023 before rising modestly to 3.0% in 2024. In Malaysia, the economy is projected to grow modestly between 4% and 5% this year with normalisation of domestic demand supported by low unemployment rate of 3.5% in February 2023 even as the external trade momentum is expected to moderate following two consecutive years of double-digit expansion. The downside risks could be mitigated by spillover from China's reopening momentum, recovery in tourism and government policy support to tame inflation. Overall, we maintain a cautious outlook on the economic landscape and shall take necessary precautions to safeguard the financial health and stability of our businesses.

B4 Variance in profit forecast and shortfall in profit guarantee

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

B5 Taxation

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group				
Income tax	183,088	224,988	633,540	763,193
Transfer from deferred tax	26,674	32,895	76,985	69,163
	<u>209,762</u>	<u>257,883</u>	<u>710,525</u>	<u>832,356</u>
Prior year over provision	241	102	(2,594)	(1,799)
	<u>210,003</u>	<u>257,985</u>	<u>707,931</u>	<u>830,557</u>
	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Company				
Income tax	(268)	105	(90)	192
Transfer to deferred tax	98	156	68	(1)
	<u>(170)</u>	<u>261</u>	<u>(22)</u>	<u>191</u>

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

B6 Status of corporate proposals

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

B7 Borrowings

	The Group		The Company	
	31 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
Unsecured				
RM Revolving credit	-	100,075	-	100,075
RM Commercial papers	-	109,920	-	109,920
RM Senior notes	200,515	201,936	200,484	201,863
	<u>200,515</u>	<u>411,931</u>	<u>200,484</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	200,515	201,936	200,484	201,863
	<u>200,515</u>	<u>411,931</u>	<u>200,484</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 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 RM'000	30 June 2022 RM'000
Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,505	4,710	-	-
		604,505	604,710	-	-
Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,600,000	1,600,000
Add: Interest payable		20,411	2,473	20,411	2,473
		1,620,411	1,602,473	1,620,411	1,602,473
Less: Unamortised discounts		(70)	(100)	(460)	(849)
		1,620,341	1,602,373	1,619,951	1,601,624
		2,224,846	2,207,083	1,619,951	1,601,624

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 March 2023 RM'000	30 June 2022 RM'000	31 March 2023 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	25,541	13,712	158	6,799
	<u>1,725,541</u>	<u>1,713,712</u>	<u>400,158</u>	<u>806,799</u>
Less: Unamortised discounts	(1,586)	(1,145)	(151)	(368)
Add: Fair value changes arising from fair value hedge	4,253	3,282	-	-
	<u><u>1,728,208</u></u>	<u><u>1,715,849</u></u>	<u><u>400,007</u></u>	<u><u>806,431</u></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 March 2023

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	53,921,007	406,704	(323,544)
(ii) 1 year to 3 years	708,159	50	(13,508)
(iii) More than 3 years	888,700	-	(30,723)
- Swaps			
(i) Less than 1 year	6,354,434	50,873	(77,427)
(ii) 1 year to 3 years	3,560,030	109,738	(81,902)
(iii) More than 3 years	1,211,912	29,574	(30,371)
- Options			
(i) Less than 1 year	7,790,187	21,565	(18,773)
(ii) 1 year to 3 years	182,312	2,630	(612)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,533,745	3,793	(26,030)
(ii) 1 year to 3 years	1,951,000	13,827	(4,942)
(iii) More than 3 years	1,501,000	10,031	(8,472)
- Swaps			
(i) Less than 1 year	36,251,132	62,936	(97,176)
(ii) 1 year to 3 years	32,704,240	166,560	(247,920)
(iii) More than 3 years	46,800,541	514,495	(617,018)
Equity related contracts			
(i) Less than 1 year	355,789	3,299	(3,554)
(ii) 1 year to 3 years	44,217	5,104	(4,297)
(iii) More than 3 years	499,158	46,316	(45,020)
Credit related contracts			
(i) Less than 1 year	79,674	2,032	(2,032)
(ii) 1 year to 3 years	1,178,396	81,374	(81,374)
Commodity related contracts			
(i) Less than 1 year	742,056	6,736	(6,736)
Total	201,257,689	1,537,637	(1,721,431)

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)
Total	162,207,376	1,902,169	(1,765,006)

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 RM85,325,000 (30 June 2022: RM480,304,000) and RM119,850,193,000 (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 RM1,746,460,000 (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

No dividend has been declared for the current financial quarter ended 31 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.

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Group				
Net profit attributable to equity holders	712,453	577,478	2,165,029	1,777,526
Weighted average number of ordinary shares ('000)	1,134,102	1,133,945	1,134,032	1,133,861
Basic earnings per share (sen)	62.8	50.9	190.9	156.8

	3rd Quarter Ended		Nine Months Ended	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
The Company				
Net profit attributable to equity holders equity holders	276,027	235,247	861,142	795,886
Weighted average number of ordinary shares ('000)	1,138,194	1,138,037	1,138,123	1,137,953
Basic earnings per share (sen)	24.3	20.7	75.7	69.9

(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 31 May 2023