

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

	Note	<u>The Group</u>		<u>The Company</u>	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Assets					
Cash and short-term funds		9,848,432	9,605,894	65,246	26,609
Deposits and placements with banks and other financial institutions		1,079,574	1,300,746	67,860	3,360
Financial assets at fair value through profit or loss	A9	31,893,892	29,470,629	-	-
Financial investments at fair value through other comprehensive income	A10	35,724,785	27,452,943	-	-
Financial investments at amortised cost	A11	32,332,303	33,608,857	-	-
Derivative financial instruments	B10	2,235,614	1,902,169	-	-
Loans, advances and financing	A12	180,567,415	167,177,303	-	-
Clients' and brokers' balances		618,824	722,181	-	-
Other assets	A13	2,677,749	2,431,500	2,250	2,635
Statutory deposits with Central Banks		3,449,270	520,650	-	-
Tax recoverable		4,907	6,262	464	492
Deferred tax assets		107,874	364,931	203	229
Investment in subsidiary companies		-	-	18,558,876	19,459,428
Investment in associated companies		10,050,740	7,660,825	-	-
Property and equipment		1,214,879	1,274,380	5,341	4,803
Right-of-use assets		189,340	214,355	3,135	4,075
Investment properties		471,630	471,610	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		387,918	324,938	137	76
Total Assets		315,265,790	286,920,817	18,703,512	19,501,707
Liabilities					
Deposits from customers	A14	211,467,443	197,382,921	-	-
Investment accounts of customers	A15	2,250,513	2,668,408	-	-
Deposits and placements of banks and other financial institutions	A16	12,452,060	8,229,485	-	-
Obligations on securities sold under repurchase agreements		7,399,583	3,971,304	-	-
Bills and acceptances payable		211,431	241,361	-	-
Derivative financial instruments	B10	2,447,431	1,765,006	-	-
Clients' and brokers' balances		145,393	306,901	-	-
Other liabilities	A17	12,054,456	12,001,014	14,775	14,868
Lease liabilities		192,011	212,599	3,353	4,249
Recourse obligations on loans/financing sold to Cagamas Berhad		2,972,220	1,623,936	-	-
Provision for claims		414,347	338,005	-	-
Provision for taxation		58,141	331,101	-	-
Borrowings	B7	201,936	411,931	201,919	411,858
Subordinated obligations	B8	2,206,650	2,207,083	1,101,859	1,601,624
Multi-currency Additional Tier 1 capital securities	B9	1,719,630	1,715,849	404,851	806,431
Insurance funds		19,442,911	17,524,189	-	-
Total Liabilities		275,636,156	250,931,093	1,726,757	2,839,030
Equity					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		24,757,812	22,244,622	14,884,472	14,573,325
Treasury shares for ESS		(233,108)	(236,039)	(174,725)	(177,656)
Total Shareholders' Equity		26,791,712	24,275,591	16,976,755	16,662,677
Non-controlling interests		12,837,922	11,714,133	-	-
Total Equity		39,629,634	35,989,724	16,976,755	16,662,677
Total Liabilities and Equity		315,265,790	286,920,817	18,703,512	19,501,707
Commitments and Contingencies	A30	269,008,810	214,693,156	-	-
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)		23.62	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 YEAR ENDED 30 JUNE 2023

	Note	4th Quarter Ended		Twelve Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group					
Interest income	A18	2,054,511	1,457,456	7,549,032	5,672,747
Interest income for financial assets at fair value through profit or loss	A19	33,138	70,127	214,224	270,941
Interest expense	A20	(1,169,358)	(577,900)	(3,977,251)	(2,087,184)
Net interest income		918,291	949,683	3,786,005	3,856,504
Income from Islamic banking business	A21	229,631	239,303	963,368	904,785
		1,147,922	1,188,986	4,749,373	4,761,289
Non-interest income	A22	317,551	456,378	1,679,797	1,490,227
Net income		1,465,473	1,645,364	6,429,170	6,251,516
Overhead expenses	A23	(675,483)	(608,020)	(2,569,627)	(2,358,210)
Operating profit before allowances		789,990	1,037,344	3,859,543	3,893,306
Allowance for impairment losses on loans, advances and financing and other losses	A24	(14,326)	(30,211)	(115,208)	(163,117)
Writeback of impairment losses on other assets	A25	806	544	304	1,031
		776,470	1,007,677	3,744,639	3,731,220
Share of results of associated companies		354,288	326,547	1,357,741	1,108,759
Profit before taxation		1,130,758	1,334,224	5,102,380	4,839,979
Taxation	B5	(186,830)	(326,561)	(894,761)	(1,157,118)
Net profit for the financial period/year		943,928	1,007,663	4,207,619	3,682,861
Attributable to:					
Owners of the parent		626,274	674,683	2,791,303	2,452,209
Non-controlling interests		317,654	332,980	1,416,316	1,230,652
		943,928	1,007,663	4,207,619	3,682,861
Earnings per share attributable to equity holders of the Company - basic (sen)		55.2	59.5	246.1	216.3

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 YEAR ENDED 30 JUNE 2023

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Net profit for the financial period/year	943,928	1,007,663	4,207,619	3,682,861
Other comprehensive income/(loss):				
(i) Items that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income				
- Net fair value changes	14,264	14,286	14,264	14,286
(ii) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive loss of associated companies	(10,278)	(29,726)	(11,133)	(29,506)
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	44,390	(384,464)	426,548	(1,191,736)
- Changes in expected credit losses	7	(344)	285	(751)
(c) Net fair value changes in cash flow hedge	-	(2,901)	362	7,574
(d) Currency translation differences	169,505	32,134	81,305	236,815
(e) Income tax relating to components of other comprehensive (loss)/income	(15,075)	84,984	(93,151)	259,268
Other comprehensive income/(loss) for the financial period/year, net of tax	202,813	(286,031)	418,480	(704,050)
Total comprehensive income for the financial period/year	1,146,741	721,632	4,626,099	2,978,811
Attributable to:				
Owners of the parent	763,685	486,759	3,074,512	1,987,685
Non-controlling interests	383,056	234,873	1,551,587	991,126
	1,146,741	721,632	4,626,099	2,978,811

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 YEAR ENDED 30 JUNE 2023

		4th Quarter Ended		Twelve Months Ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
The Company	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	23,452	27,643	100,780	110,792
Interest expense	A20	(24,051)	(30,745)	(108,870)	(127,679)
Net interest expense		(599)	(3,102)	(8,090)	(16,887)
Non-interest income	A22	3,091	2,405	896,975	830,274
Net income/(expense)		2,492	(697)	888,885	813,387
Overhead (expenses)/income	A23	(6,256)	11,485	(32,309)	(6,717)
Writeback of impairment losses on other assets	A25	734	1,058	1,514	1,253
(Loss)/profit before taxation		(3,030)	11,846	858,090	807,923
Taxation	B5	(230)	(60)	(208)	(251)
Net (loss)/profit for the financial period/year		(3,260)	11,786	857,882	807,672
Earnings per share attributable to equity holders of the Company - basic (sen)		(0.3)	1.0	75.4	71.0

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
The Company	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial period/year	(3,260)	11,786	857,882	807,672
Other comprehensive income for the financial period/year, net of tax	-	-	-	-
Total comprehensive (loss)/income for the financial period/year	(3,260)	11,786	857,882	807,672

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 YEAR ENDED 30 JUNE 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	
The Group												
At 1 July 2022	2,267,008	666,534	(541,311)	(185)	213,314	60,866	907,614	20,937,790	(236,039)	24,275,591	11,714,133	35,989,724
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	2,791,303	-	2,791,303	1,416,316	4,207,619
Currency translation differences	-	-	-	-	-	-	59,718	-	-	59,718	21,587	81,305
Share of other comprehensive loss of associated companies	-	-	(5,944)	-	-	-	-	-	-	(5,944)	(5,189)	(11,133)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	9,344	-	-	-	-	-	-	9,344	4,920	14,264
- Debt instruments												
- Net fair value changes	-	-	219,719	-	-	-	-	-	-	219,719	113,761	333,480
- Changes in expected credit losses	-	-	187	-	-	-	-	-	-	187	98	285
Net fair value changes in cash flow hedge	-	-	-	185	-	-	-	-	-	185	94	279
Total comprehensive income	-	-	223,306	185	-	-	59,718	2,791,303	-	3,074,512	1,551,587	4,626,099
Transaction with owners												
Transfer to regulatory reserve	-	349,956	-	-	-	-	-	(349,956)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	999	-	999	(999)	-
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	-	-	-	-	-	(10,144)	-	-	-	(10,144)	-	(10,144)
Exercise of executive share scheme	-	-	-	-	-	(15,220)	-	9,328	2,931	(2,961)	-	(2,961)
At 30 June 2023	2,267,008	1,016,490	(318,005)	-	213,314	35,502	967,332	22,843,179	(233,108)	26,791,712	12,837,922	39,629,634

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 YEAR ENDED 30 JUNE 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	
The Group												
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 year	-	-	-	-	-	-	-	2,452,209	-	2,452,209	1,230,652	3,682,861
Currency translation differences	-	-	-	-	-	-	158,388	-	-	158,388	78,427	236,815
Share of other comprehensive loss of associated companies	-	-	(23,735)	-	-	-	-	-	-	(23,735)	(5,771)	(29,506)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	9,362	-	-	-	-	-	-	9,362	4,924	14,286
- Debt instruments												
- Net fair value changes	-	-	(611,803)	-	-	-	-	-	-	(611,803)	(318,849)	(930,652)
- Changes in expected credit losses	-	-	(510)	-	-	-	-	-	-	(510)	(241)	(751)
Net fair value changes in cash flow hedge	-	-	-	3,774	-	-	-	-	-	3,774	1,984	5,758
Total comprehensive (loss)/income	-	-	(626,686)	3,774	-	-	158,388	2,452,209	-	1,987,685	991,126	2,978,811
Transaction with owners												
Transfer to regulatory reserve	-	229,431	-	-	-	-	-	(229,431)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	(4,503)	-	(4,503)	4,503	-
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	-	-	-	-	-	(20,447)	-	-	-	(20,447)	-	(20,447)
Exercise of executive share scheme	-	-	-	-	-	(14,992)	-	9,445	2,931	(2,616)	-	(2,616)
At 30 June 2022	<u>2,267,008</u>	<u>666,534</u>	<u>(541,311)</u>	<u>(185)</u>	<u>213,314</u>	<u>60,866</u>	<u>907,614</u>	<u>20,937,790</u>	<u>(236,039)</u>	<u>24,275,591</u>	<u>11,714,133</u>	<u>35,989,724</u>

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM1,005,245,000 (30 June 2022: RM655,289,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 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 YEAR ENDED 30 JUNE 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 year	-	-	-	-	857,882	857,882
Dividends paid	-	-	-	-	(546,285)	(546,285)
Options charge arising from executive share scheme	-	-	2,481	-	-	2,481
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 30 June 2023	<u>2,267,008</u>	<u>254,991</u>	<u>2,296</u>	<u>(174,725)</u>	<u>14,627,185</u>	<u>16,976,755</u>
At 1 July 2021	2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net profit for the financial year	-	-	-	-	807,672	807,672
Dividends paid	-	-	-	-	(502,967)	(502,967)
Options charge arising from executive share scheme	-	-	(18,660)	-	-	(18,660)
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 30 June 2022	<u>2,267,008</u>	<u>254,991</u>	<u>2,685</u>	<u>(177,656)</u>	<u>14,315,649</u>	<u>16,662,677</u>

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 YEAR ENDED 30 JUNE 2023

	The Group		The Company	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Cash flows from operating activities				
Profit before taxation	5,102,380	4,839,979	858,090	807,923
Adjustment for non-cash items	(746,669)	(2,473,840)	(874,143)	(822,513)
Operating profit/(loss) before working capital changes	4,355,711	2,366,139	(16,053)	(14,590)
Income tax (paid)/refund	(1,113,205)	(1,148,369)	(154)	9,847
Interest received	2,858	562	2,858	562
Changes in working capital:				
Net changes in operating assets	(19,057,909)	(10,729,475)	386	(702)
Net changes in operating liabilities	21,225,790	9,850,680	(124)	(2,189)
Net cash generated from/(used in) operating activities	5,413,245	339,537	(13,087)	(7,072)
Cash flows from investing activities				
Net (purchases)/disposal of financial investments at FVOCI	(7,885,238)	7,507,960	-	-
Net disposal/(purchases) of financial investments at amortised cost	1,276,607	(8,914,664)	-	-
Interest received on financial investments at FVOCI and financial investments at amortised cost	1,622,450	1,362,950	-	-
Purchase of intangible assets	(41,863)	(41,382)	(136)	(8)
Purchase of property and equipment	(147,577)	(136,582)	(1,739)	(2,374)
Net proceeds from disposal of property and equipment	493	2,088	113	160
Dividends received from other investments	92,391	73,602	-	193
Dividends received from subsidiary companies	-	-	885,303	820,911
Dividends received from associated companies	39,977	79,954	-	-
Proceeds from subordinated obligations	-	-	500,000	-
Proceeds from redemption of Multi-currency AT1 capital securities	-	-	400,000	-
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency AT1 capital securities	-	-	29,224	39,344
- Interest on subordinated obligations	-	-	70,763	70,963
Net cash (used in)/generated from investing activities	(5,042,760)	(66,074)	1,883,528	929,189
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(546,285)	(502,967)	(546,285)	(502,967)
Dividends paid to non-controlling interests	(431,723)	(401,835)	-	-
Cash received from executive share scheme exercised	-	916	-	-
Repayment of lease liabilities	(47,392)	(46,659)	(896)	(850)
Repayment of revolving credit	(100,000)	(25,000)	(100,000)	(25,000)
Repayment from commercial papers	(110,000)	(46,000)	(110,000)	(46,000)
Repayment of senior notes	-	(175,000)	-	(200,000)
Repayment of Multi-currency AT1 capital securities	(400,000)	-	(400,000)	-
Repayment of term loans	-	(1,000)	-	(1,000)
Repayment of subordinated obligations	(500,000)	-	(500,000)	-
Proceeds from subordinated obligations	500,000	-	-	-
Proceeds from Multi-currency AT1 capital securities	400,000	900,000	-	-
Proceeds from recourse obligations on loans/financing sold to Cagamas Berhad	2,300,000	650,000	-	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(962,930)	(64,174)	-	-
Interest paid on Multi-currency AT1 capital securities	(81,755)	(40,142)	(29,826)	(40,142)
Interest paid on subordinated obligations	(95,221)	(94,535)	(71,882)	(72,086)
Interest paid on borrowings	(8,216)	(17,364)	(8,216)	(17,833)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(66,196)	(40,431)	-	-
Interest paid on lease liabilities	(8,708)	(8,750)	(199)	(244)
Net cash (used in)/generated financing activities	(158,426)	87,059	(1,767,304)	(906,122)
Net increase in cash and cash equivalents	212,059	360,522	103,137	15,995
Effects of exchange rate changes	59,718	291,160	-	-
Cash and cash equivalents at beginning of the financial year	9,844,724	9,193,042	26,669	10,674
Cash and cash equivalents at end of financial year	10,116,501	9,844,724	129,806	26,669
Analysis of cash and cash equivalents				
Cash and short-term funds	9,848,432	9,605,894	65,246	26,609
Deposits and placements with banks and other financial institutions	1,079,574	1,300,746	67,860	3,360
	10,928,006	10,906,640	133,106	29,969
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(811,505)	(1,061,916)	(3,300)	(3,300)
	10,116,501	9,844,724	129,806	26,669

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 YEAR ENDED 30 JUNE 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 cyclicity of operations

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

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 year.

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 year.

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

A6 Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares during the financial year ended 30 June 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 year ended 30 June 2023, a total of 156,404 grant shares were vested and transferred pursuant to the Company's ESGS.

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

The remaining number of shares held by the appointed trustee for the insurance subsidiary company as at 30 June 2023 was 4,091,900 units at an average price of RM14.27 per share with total consideration paid, including transaction costs was RM58,381,907 which have been classified as Treasury Shares for ESS at the Group level.

A7 Dividends paid

A final single-tier dividend of 31.0 sen per share, amounting to RM352,791,561, in respect of the financial year ended 30 June 2022, was paid on 23 November 2022

An interim single-tier dividend of 17.0 sen per share, amounting to RM193,492,929 in respect of the financial year ended 30 June 2023, was 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

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

A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
30 June 2023						
Revenue						
External revenue	5,659,889	195,355	582,264	(8,338)	-	6,429,170
Inter-segment revenue	25,620	971	1,147	872,376	(900,114)	-
Segment revenue	<u>5,685,509</u>	<u>196,326</u>	<u>583,411</u>	<u>864,038</u>	<u>(900,114)</u>	<u>6,429,170</u>
Results						
Segment results	3,337,151	61,428	372,708	858,075	(884,723)	3,744,639
Share of results of associated companies						<u>1,357,741</u>
Profit before taxation						5,102,380
Taxation						<u>(894,761)</u>
Net profit for the financial year						4,207,619
Non-controlling interests						<u>(1,416,316)</u>
Profit attributable to owners of the parent						<u>2,791,303</u>
Other information						
Segment assets	279,850,454	4,975,761	29,479,529	18,703,533	(17,743,487)	<u>315,265,790</u>
Segment liabilities	245,863,802	4,010,385	25,205,512	1,728,407	(1,171,950)	<u>275,636,156</u>

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

A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
30 June 2022						
Revenue						
External revenue	5,575,202	222,478	475,131	(21,295)	-	6,251,516
Inter-segment revenue	22,206	882	1,414	816,261	(840,763)	-
Segment revenue	<u>5,597,408</u>	<u>223,360</u>	<u>476,545</u>	<u>794,966</u>	<u>(840,763)</u>	<u>6,251,516</u>
Results						
Segment results	3,336,309	97,172	315,396	807,912	(825,569)	3,731,220
Share of results of associated companies						<u>1,108,759</u>
Profit before taxation						4,839,979
Taxation						<u>(1,157,118)</u>
Net profit for the financial year						3,682,861
Non-controlling interests						<u>(1,230,652)</u>
Profit attributable to owners of the parent						<u>2,452,209</u>
Other information						
Segment assets	254,331,377	4,276,873	27,237,632	19,501,749	(18,426,814)	<u>286,920,817</u>
Segment liabilities	223,342,401	3,331,880	23,268,856	2,840,682	(1,852,726)	<u>250,931,093</u>

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

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

	The Group	
	30 June 2023	30 June 2022
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	1,197,414	49,806
Government treasury bills	620,126	2,083,409
Malaysian Government securities	4,310,150	4,323,656
Malaysian Government investment certificates	2,471,760	741,032
Negotiable instruments of deposit	1,856,476	1,473,440
Cagamas bonds	15,078	65,587
Other Government securities	6,466,091	5,761,134
	16,937,095	14,498,064
Quoted securities		
Shares in Malaysia	5,143,592	4,758,170
Shares outside Malaysia	590,260	553,017
Wholesale fund/unit trust investments	724,832	749,777
Portfolio Investment Accounts [Note]	1,282	9,097
Foreign currency bonds in Malaysia	-	11,938
Foreign currency bonds outside Malaysia	-	31,120
Convertible bonds outside Malaysia	-	1,108,752
Investment-linked funds	456	305
Loan stocks	1,773	1,073
Warrants in Malaysia	1,894	3,545
	6,464,089	7,226,794
Unquoted securities		
Shares in Malaysia	393,371	382,664
Foreign currency bonds in Malaysia	37,281	-
Foreign currency bonds outside Malaysia	9,279	9,047
Government sukuk	-	101,766
Corporate bonds and sukuk	7,941,807	7,141,464
Perpetual bonds	85,970	85,830
Redeemable preference shares	25,000	25,000
	8,492,708	7,745,771
Total financial assets at FVTPL	31,893,892	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	
		30 June 2023	30 June 2022
		RM'000	RM'000
At fair value			
Debt instruments	(a)	35,627,135	27,369,557
Equity instruments	(b)	97,650	83,386
		35,724,785	27,452,943

(a) Debt instruments

Money market instruments			
Government treasury bills		1,820,701	-
Malaysian Government securities		4,707,923	3,791,081
Malaysian Government investment certificates		10,175,143	9,197,348
Negotiable instruments of deposit		1,306,322	1,796,800
Khazanah bonds		363,416	348,079
Cagamas bonds		2,620,153	890,863
		20,993,658	16,024,171

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

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

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
(a) Debt instruments (continued)		
Quoted securities		
Government sukuk	860,644	831,321
Foreign currency bonds in Malaysia	1,873,035	1,216,476
Foreign currency bonds outside Malaysia	1,703,172	842,415
	<u>4,436,851</u>	<u>2,890,212</u>
Unquoted securities		
Government sukuk	30,768	417,257
Corporate bonds and sukuk	8,913,211	7,537,091
Foreign currency bonds in Malaysia	847,674	175,112
Foreign currency bonds outside Malaysia	404,973	325,714
	<u>10,196,626</u>	<u>8,455,174</u>
	<u><u>35,627,135</u></u>	<u><u>27,369,557</u></u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
At 1 July 2022	1,981	-	17,407	19,388
New financial assets originated or purchased	999	-	-	999
Financial assets derecognised	(223)	-	-	(223)
Changes due to change in credit risk	(582)	-	-	(582)
Exchange differences	100	-	820	920
At 30 June 2023	<u><u>2,275</u></u>	<u><u>-</u></u>	<u><u>18,227</u></u>	<u><u>20,502</u></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	
	30 June 2023 RM'000	30 June 2022 RM'000
(b) Equity instruments		
Unquoted securities		
Shares in Malaysia	<u>97,650</u>	<u>83,386</u>

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

A11 Financial investments at amortised cost

	The Group	
	30 June 2023	30 June 2022
	RM'000	RM'000
Money market instruments		
Government treasury bills	60,676	57,612
Malaysian Government securities	6,024,655	5,413,511
Malaysian Government investment certificates	23,487,152	23,305,894
Cagamas bonds	1,658,260	416,700
Khazanah bonds	14,393	13,889
Other Government securities	421,343	419,246
	31,666,479	29,626,852
Quoted securities		
Foreign currency bonds outside Malaysia	19,117	62,174
	19,117	62,174
Unquoted securities		
Government sukuk	30,611	2,583,133
Corporate bonds and sukuk	616,114	1,336,766
	646,725	3,919,899
Less: Expected credit losses	(18)	(68)
Total financial investments at amortised cost	32,332,303	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 RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
At 1 July 2022	68	-	-	68
Changes due to change in credit risk	(52)	-	-	(52)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	3	-	-	3
At 30 June 2023	18	-	-	18
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

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

A12 Loans, advances and financing

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Overdrafts	4,077,891	3,546,936
Term loans/financing:		
- Housing and shop loans/financing	97,387,797	91,169,501
- Hire purchase receivables	19,914,072	18,035,880
- Ijarah receivables	249,054	247,445
- Other term loans/financing and syndicated term loans	35,475,855	32,347,688
Credit/charge card receivables	3,202,663	2,923,883
Bills receivable	1,936,868	1,539,682
Trust receipts	441,074	417,252
Policy and premium loans	254,751	295,962
Claims on customers under acceptance credits	8,936,884	8,817,344
Revolving credits	10,339,502	9,455,248
Staff loans/financing	125,080	127,105
Other loans/financing	126	128
Gross loans, advances and financing	182,341,617	168,924,054
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(14,700)	(9,962)
Allowance for impairment losses:		
- Expected credit losses	(1,759,502)	(1,736,789)
Total net loans, advances and financing	180,567,415	167,177,303

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM2,917,197,000 (30 June 2022: RM1,572,077,000).

(a) By type of customers

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Domestic non-bank financial institutions	2,258,897	1,946,823
Domestic business enterprises:		
- Small and medium enterprises	33,083,633	30,175,416
- Others	27,940,458	25,204,745
Government and statutory bodies	1,108	1,387
Individuals	115,827,432	108,121,079
Other domestic entities	100,246	103,122
Foreign entities	3,129,843	3,371,482
Gross loans, advances and financing	182,341,617	168,924,054

(b) By interest/profit rate sensitivity

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Fixed rate		
- Housing and shop loans/financing	4,875,632	1,387,967
- Hire purchase receivables	19,856,028	17,965,989
- Other fixed rate loans/financing	8,895,803	9,809,189
Variable rate		
- Standardised base rate/base rate/		
- Standardised base rate/base rate/base lending rate plus	123,357,618	116,345,805
- Cost plus	25,256,906	23,275,400
- Other variable rates	99,630	139,704
Gross loans, advances and financing	182,341,617	168,924,054

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

A12 Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Purchase of securities	1,320,663	1,311,692
Purchase of transport vehicles	19,574,851	17,653,587
Purchase of landed properties		
- Residential	89,114,612	82,434,291
- Non-residential	21,976,096	20,519,124
Purchase of fixed assets (excluding landed properties)	1,672,034	1,613,109
Personal use	3,885,235	3,706,863
Credit card	3,202,663	2,923,883
Construction	4,197,939	3,531,187
Working capital	35,954,488	33,798,279
Other purposes	1,443,036	1,432,039
Gross loans, advances and financing	182,341,617	168,924,054

(d) By geographical distribution

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Malaysia	168,376,448	157,168,978
Singapore	9,367,686	7,624,640
Hong Kong	46,789	21,090
Vietnam	1,956,082	1,652,819
Cambodia	2,594,612	2,456,527
Gross loans, advances and financing	182,341,617	168,924,054

(e) By residual contractual maturity

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Within one year	33,575,374	31,300,399
One year to less than three years	7,261,457	6,836,044
Three years to less than five years	10,659,367	11,278,670
Five years and more	130,845,419	119,508,941
Gross loans, advances and financing	182,341,617	168,924,054

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

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
At beginning of financial year	819,878	717,672
Classified as impaired during the financial year	1,642,615	1,349,630
Reclassified as non-impaired during the financial year	(890,911)	(620,581)
Amount written back in respect of recoveries	(224,850)	(204,699)
Amount written off	(305,601)	(424,253)
Exchange differences	879	2,109
At end of financial year	1,042,010	819,878
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	0.6%	0.5%

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

A12 Loans, advances and financing (continued)

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

	The Group	
	30 June	30 June
	2023	2022
	RM'000	RM'000
Purchase of securities	125	232
Purchase of transport vehicles	42,881	35,282
Purchase of landed properties		
- Residential	404,463	315,073
- Non-residential	119,107	151,278
Purchase of fixed assets (excluding landed properties)	4,627	485
Personal use	47,205	44,522
Credit card	30,445	21,419
Construction	24,851	9,271
Working capital	274,325	207,698
Other purposes	93,981	34,618
Gross impaired loans, advances and financing	1,042,010	819,878

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

	The Group	
	30 June	30 June
	2023	2022
	RM'000	RM'000
Malaysia	982,393	805,766
Singapore	1,481	841
Vietnam	928	1,585
Cambodia	57,208	11,686
Gross impaired loans, advances and financing	1,042,010	819,878

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

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

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

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	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	338,198	274,377	2,250	2,635
Settlement accounts	850,808	708,194	-	-
Treasury related receivables	159,020	578,958	-	-
Cash collateral pledged for derivative transactions	1,086,263	689,029	-	-
Fee income receivables	7,715	8,961	-	-
Other receivables	235,699	171,935	-	-
	2,677,749	2,431,500	2,250	2,635

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

A14 Deposits from customers

(a) By type of deposits

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
At amortised cost		
Fixed deposits	112,597,523	94,334,763
Negotiable instruments of deposits	10,914,720	8,626,532
Short-term placements	<u>19,048,027</u>	<u>25,984,088</u>
	142,560,270	128,945,383
Demand deposits	42,465,293	41,151,127
Savings deposits	22,479,001	24,771,649
Others	<u>398,549</u>	<u>449,369</u>
	207,903,113	195,317,528
At FVTPL		
Structured deposits linked to interest rate derivatives	3,874,742	2,425,376
Fair value changes arising from designation at FVTPL [Note]	<u>(310,412)</u>	<u>(359,983)</u>
	3,564,330	2,065,393
	<u>211,467,443</u>	<u>197,382,921</u>

Note:

The Group has issued structured deposits which are linked to interest rate derivatives and designated at FVTPL. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

(b) By type of customers

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Government and statutory bodies	5,261,598	3,703,073
Business enterprises	99,334,076	91,954,329
Individuals	104,628,726	99,418,027
Others	<u>2,243,043</u>	<u>2,307,492</u>
	211,467,443	197,382,921

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

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Due within six months	119,473,207	104,131,355
More than six months to one year	20,115,668	20,172,188
More than one year to five years	2,196,854	3,835,461
More than five years	<u>774,541</u>	<u>806,379</u>
	142,560,270	128,945,383

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

A15 Investment accounts of customers

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Unrestricted investment accounts		
- Mudarabah with maturity	2,249,231	2,659,311
Restricted investment accounts		
- Wakalah bi Al-Istithmar	1,282	9,097
	2,250,513	2,668,408

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

A16 Deposits and placements of banks and other financial institutions

	The Group	
	30 June 2023 RM'000	30 June 2022 RM'000
Licensed banks	8,316,003	5,007,600
Licensed investment banks	362,886	22,067
Central banks [Note]	1,497,021	1,579,601
Other financial institutions	2,276,150	1,620,217
	12,452,060	8,229,485

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 RM1,497,021,000 (30 June 2022: RM1,579,601,000) at concession rates.

A17 Other liabilities

	The Group		The Company	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Trade payables	4,435,135	4,149,662	-	-
Amount due to subsidiary companies	-	-	6	-
Post employment benefits obligation				
- defined contribution plan	1,928	1,905	41	41
Loan advance payment	3,666,443	3,829,956	-	-
Treasury and cheque clearing	204,026	128,773	-	-
Treasury related payables	298,332	213,260	-	-
Sundry creditors and accruals	477,975	402,365	2,847	2,411
Provision for reinstatement cost	22,136	22,948	278	264
Provision for bonus and staff related expenses	233,053	244,062	11,603	12,152
Expected credit losses on financial guarantee contracts [Note (a)]	8,110	3,657	-	-
Financial liabilities due to third party investors [Note (b)]	1,242,934	1,589,696	-	-
Settlement accounts	889,467	824,436	-	-
Others	574,917	590,294	-	-
	12,054,456	12,001,014	14,775	14,868

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

A17 Other liabilities (continued)

Note:

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 2022	3,116	541	-	3,657
Changes in ECL due to transfer within stages	(4)	4	-	-
Transfer to Stage 1	41	(41)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	8,386	-	-	8,386
Financial assets derecognised	(496)	-	-	(496)
Changes due to change in credit risk	(4,839)	833	-	(4,006)
Exchange differences	555	14	-	569
At 30 June 2023	6,718	1,392	-	8,110
At 1 July 2021	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	15	(199)	184	-
Transfer to Stage 1	70	(70)	-	-
Transfer to Stage 2	(55)	55	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	170	-	-	170
Financial assets derecognised	(1,143)	(4)	-	(1,147)
Changes due to change in credit risk	647	(425)	(184)	38
Changes in models/risk parameters	(92)	(38)	-	(130)
Exchange differences	141	22	-	163
At 30 June 2022	3,116	541	-	3,657

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

A18 Interest income

The Group	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Loans, advances and financing	1,499,873	1,074,871	5,586,379	4,143,728
Money at call and deposit placements with financial institutions	82,537	38,837	295,460	147,955
Securities purchased under resale agreements	867	755	867	758
Financial investments at FVOCI	285,760	155,646	919,899	709,818
Financial investments at amortised cost	173,351	183,226	702,552	653,131
Others	12,123	4,121	43,875	17,357
	2,054,511	1,457,456	7,549,032	5,672,747
Of which:				
Interest income earned on impaired loans, advances and financing	15,155	4,769	41,342	26,008
The Company	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Money at call and deposit placements with financial institutions	1,419	161	2,858	562
Subordinated obligations	17,326	17,659	70,497	70,830
Multi-currency Additional Tier 1 capital securities	4,707	9,823	27,425	39,400
	23,452	27,643	100,780	110,792

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

A19 Interest income for financial assets at FVTPL

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Financial assets at FVTPL	33,138	70,127	214,224	270,941

A20 Interest expense

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Deposits and placements of banks and other financial institutions	97,436	29,768	392,662	84,152
Deposits from customers	862,582	426,669	2,733,069	1,616,096
Short-term placements	147,735	66,881	622,833	178,631
Borrowings	1,421	2,472	8,221	14,269
Subordinated obligations	23,841	23,502	94,788	94,439
Recourse obligations on loans sold to Cagamas Berhad	14,469	3,985	29,263	15,450
Multi-currency Additional Tier 1 capital securities	19,575	16,960	81,755	47,102
Others	2,299	7,663	14,660	37,045
	1,169,358	577,900	3,977,251	2,087,184

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Borrowings	1,435	2,486	8,277	14,331
Subordinated obligations	17,717	18,068	72,117	72,468
Multi-currency Additional Tier 1 capital securities	4,845	10,122	28,247	40,598
Others	54	69	229	282
	24,051	30,745	108,870	127,679

A21 Income from Islamic banking business

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income derived from investment of depositors' funds and others	507,635	379,231	1,894,039	1,409,048
Income derived from investment of shareholders' funds	76,252	43,655	259,365	168,618
Income derived from investment of investment accounts	32,241	12,615	118,629	68,451
Income attributable to depositors	(363,198)	(181,940)	(1,229,550)	(702,907)
Income attributable to depositors on investment accounts	(23,299)	(14,258)	(79,115)	(38,425)
	229,631	239,303	963,368	904,785
Of which:				
Financing income earned on impaired financing and advances	2,752	930	6,556	3,417

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

A22 Non-interest income

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Insurance income	66,466	118,806	310,277	368,913
Brokerage income	10,641	10,499	44,622	65,883
Fee income				
Commissions	44,273	42,514	158,329	181,402
Service charges and fees	9,468	8,792	38,491	37,999
Guarantee fees	7,750	3,516	27,807	15,913
Credit card related fees	53,167	50,317	210,975	193,684
Corporate advisory fees	546	4,995	5,006	9,970
Commitment fees	9,159	9,408	37,124	36,696
Loans, advances and financing fees	11,048	10,972	51,585	50,101
Placement fees	833	4,825	10,238	8,853
Arranger fees	2,324	30	2,740	1,503
Unit trust fees income	11,583	11,974	46,106	58,104
Other fees income	48,248	69,669	228,791	229,441
	198,399	217,012	817,192	823,666
Net income/(expense) from securities				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	26,605	(34,198)	94,925	(61,771)
- Financial investments at FVOCI	2,985	(20,964)	38,769	81,523
- Derivative financial instruments	(3,067)	51,669	(21,619)	56,192
Gross dividend income from:				
- Financial assets at FVTPL	26,731	16,128	90,215	73,196
- Financial investments at FVOCI	435	406	2,175	406
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(30,320)	180,100	25,934	118,285
- Derivative financial instruments	55,466	(70,361)	111,594	114,389
Net realised gain/(loss) on fair value changes arising from fair value hedges	1,623	(2,974)	7,371	(8,454)
Net unrealised (loss)/gain on fair value changes arising from fair value hedges	(498)	(2,452)	1,169	(3,202)
	79,960	117,354	350,533	370,564
Other (expense)/income				
Foreign exchange (loss)/gain	(48,547)	(9,811)	124,638	(158,222)
Rental income	3,056	4,440	10,850	10,975
Net gain on disposal of property and equipment	40	1,417	387	1,745
Other non-operating income/(expense)	7,536	(3,339)	21,298	6,703
	(37,915)	(7,293)	157,173	(138,799)
Total non-interest income	317,551	456,378	1,679,797	1,490,227

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

A22 Non-interest income (continued)

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Company				
Fees income				
Management fees and outsourcing fees	3,035	2,349	11,334	8,802
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	-	-	885,303	820,911
Other income				
Other non-operating income	56	56	338	406
Total non-interest income	3,091	2,405	896,975	830,274

A23 Overhead expenses/(income)

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Personnel costs				
- Salaries, bonus and allowances	358,869	308,197	1,322,626	1,234,170
- Medical expenses	6,842	6,825	32,767	30,909
- Training and convention expenses	7,677	7,363	17,235	14,824
- Staff welfare	2,573	3,218	10,996	13,341
- Others	10,773	(31)	25,557	10,180
	386,734	325,572	1,409,181	1,303,424
Establishment costs				
- Depreciation of property and equipment	28,690	32,061	120,327	130,105
- Depreciation of right-of-use assets	12,387	12,812	49,862	50,518
- Amortisation of intangible assets	17,327	15,410	64,223	59,027
- Rental of premises	70	2	1,503	1,854
- Information technology expenses	60,574	61,690	252,771	230,781
- Security services	5,116	3,165	20,937	19,354
- Electricity, water and sewerage	5,863	5,373	22,524	21,628
- Hire of plant and machinery	3,599	3,125	13,666	12,483
- Others	7,660	7,933	33,468	32,965
	141,286	141,571	579,281	558,715
Marketing expenses				
- Advertisement and publicity	9,478	9,185	34,264	29,454
- Sales commission and credit card related fees	30,844	37,312	146,393	127,692
- Others	11,943	6,974	52,230	41,402
	52,265	53,471	232,887	198,548
Administration and general expenses				
- Teletransmission expenses	5,003	5,929	21,946	23,339
- Stationery and printing expenses	2,885	3,388	11,885	12,251
- Professional fees	28,326	29,510	106,828	92,911
- Insurance fees	12,937	9,636	45,472	33,550
- Stamp, postage and courier	3,349	4,657	14,738	15,229
- Credit card fees	22,160	17,522	75,315	49,302
- Travelling and transport expenses	1,041	940	3,753	2,806
- Registration and license fees	2,621	2,560	11,059	10,151
- Brokerage and commission	2,984	2,080	11,974	11,007
- Others	13,892	11,184	45,308	46,977
	95,198	87,406	348,278	297,523
Total overhead expenses	675,483	608,020	2,569,627	2,358,210

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

A23 Overhead expense/(income) (continued)

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Company				
Personnel costs				
- Salaries, bonus and allowances	5,196	4,567	20,727	16,870
- Medical expenses	5	2	16	15
- Training and convention expenses	35	-	51	3
- Staff welfare	207	183	712	636
- Others	(1,440)	(18,267)	3,791	(17,411)
	<u>4,003</u>	<u>(13,515)</u>	<u>25,297</u>	<u>113</u>
Establishment costs				
- Depreciation of property and equipment	309	250	1,201	760
- Depreciation of right-of-use assets	235	235	940	940
- Amortisation of intangible assets	22	10	75	39
- Information technology expenses	55	222	235	312
- Electricity, water and sewerage	10	12	38	37
- Others	140	39	322	174
	<u>771</u>	<u>768</u>	<u>2,811</u>	<u>2,262</u>
Administration and general expenses				
- Teletransmission expenses	6	7	23	24
- Stationery and printing expenses	7	4	19	14
- Professional fees	678	584	1,406	1,506
- Management fees	568	640	2,205	2,448
- Travelling and transport expenses	3	-	4	1
- Others	220	27	544	349
	<u>1,482</u>	<u>1,262</u>	<u>4,201</u>	<u>4,342</u>
Total overhead expense/(Income)	<u>6,256</u>	<u>(11,485)</u>	<u>32,309</u>	<u>6,717</u>

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

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Allowance for/(writeback of) impairment losses on:				
- Loans, advances and financing	66,298	97,850	343,086	393,314
- Clients' and brokers' balances	(123)	39	(132)	(190)
Impaired loans, advances and financing:				
- Written off	6,836	5,816	29,519	20,054
- Recovered from bad debt written off	(58,685)	(73,494)	(257,265)	(250,061)
	<u>14,326</u>	<u>30,211</u>	<u>115,208</u>	<u>163,117</u>

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

A25 Writeback of impairment losses on other assets

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Expected credit losses on:				
- Financial investments at FVOCI	(67)	(403)	194	(827)
- Financial investments at amortised cost	(3)	11	(53)	(14)
- Other receivables	(389)	55	(8)	47
- Cash and short-term funds	(133)	135	(155)	85
- Deposits and placements with banks and other financial institutions	(214)	(342)	(282)	(322)
	<u>(806)</u>	<u>(544)</u>	<u>(304)</u>	<u>(1,031)</u>

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Company				
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	(734)	(1,058)	(1,514)	(1,253)

A26 Capital adequacy

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

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

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

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

A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Before deducting proposed dividends								
CET 1 capital ratio	11.245%	12.025%	13.310%	13.935%	13.000%	13.912%	38.498%	39.445%
Tier 1 capital ratio	12.329%	13.220%	14.353%	15.050%	14.029%	14.999%	38.498%	39.445%
Total capital ratio	14.859%	16.130%	16.399%	17.176%	16.009%	17.051%	48.792%	50.437%
After deducting proposed dividends								
CET 1 capital ratio	11.022%	11.792%	12.824%	13.428%	12.372%	13.266%	35.719%	35.367%
Tier 1 capital ratio	12.106%	12.987%	13.866%	14.543%	13.401%	14.353%	35.719%	35.367%
Total capital ratio	14.635%	15.897%	15.912%	16.669%	15.381%	16.404%	46.013%	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	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000	30 June 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	22,843,179	20,937,790	25,017,703	22,727,982	15,727,832	15,120,482	280,317	287,881
Other reserves	909,389	651,730	947,836	592,754	2,905	(283,282)	(4,486)	(19,792)
Qualifying non-controlling interests	7,906,064	6,896,206	-	-	-	-	-	-
Less: Treasury shares	(233,108)	(236,039)	(708,766)	(713,690)	(708,766)	(713,690)	-	-
Less: Other intangible assets	(368,261)	(309,817)	(362,435)	(304,749)	(326,216)	(269,645)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,936)	(33,638)
Less: Deferred tax assets	(508,213)	-	(410,436)	(528,771)	(317,985)	(403,666)	(96,878)	(110,559)
Less: Investment in subsidiary companies/ associated companies	(12,125,553)	(9,640,457)	(8,712,976)	(6,455,474)	(3,938,210)	(2,794,291)	(200)	(200)
Total CET 1 capital	18,344,218	18,220,134	21,678,677	21,225,803	16,407,076	16,623,424	397,767	376,642

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

A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	399,997	799,932	1,698,491	1,698,839	1,698,491	1,698,839	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,368,004	1,011,415	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,768,001	1,811,347	1,698,491	1,698,839	1,698,491	1,698,839	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,768,001	1,811,347	1,698,491	1,698,839	1,298,491	1,298,839	-	-
Total Tier 1 capital	20,112,219	20,031,481	23,377,168	22,924,642	17,705,567	17,922,263	397,767	376,642
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,826,248	1,718,509	1,832,523	1,738,471	1,399,403	1,350,820	6,356	4,952
Subordinated obligations	1,099,990	1,599,900	1,499,089	1,499,970	1,499,089	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,200,465	1,090,639	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,126,703	4,409,048	3,331,612	3,238,441	2,498,492	2,450,790	106,356	104,952
Total capital	24,238,922	24,440,529	26,708,780	26,163,083	20,204,059	20,373,053	504,123	481,594

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

A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk [Note]	146,099,832	137,480,719	146,601,855	139,077,644	111,952,229	108,065,582	508,514	396,120
Market risk	6,433,925	4,254,505	6,124,089	3,917,894	6,120,834	3,934,497	185,018	217,123
Operational risk	10,596,687	9,789,061	10,143,761	9,327,630	8,131,845	7,485,705	339,681	341,603
Total RWA	163,130,444	151,524,285	162,869,705	152,323,168	126,204,908	119,485,784	1,033,213	954,846

Note:

In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,588,912,000 (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	
	30 June 2023	30 June 2022
Before deducting proposed dividends		
CET 1 capital ratio	11.423%	11.176%
Tier 1 capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%
After deducting proposed dividends		
CET 1 capital ratio	11.423%	11.176%
Tier 1 capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%

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

A27 Material events subsequent to the end of the financial year

There were no material events subsequent to the end of the financial year ended 30 June 2023.

A28 Changes in composition of the Group

There were no changes in the composition of the Group for the current financial year 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) SSSB Jaya (1987) Sdn Bhd, an indirect wholly-owned subsidiary of HLCB, was dissolved on 3 August 2023.

A29 Related party transactions

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

A30 Commitments and contingencies

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

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

	The Group	
	30 June	30 June
	2023	2022
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	225,515	138,103
Certain transaction related contingent items	2,594,402	2,024,547
Short-term self liquidating trade related contingencies	1,063,924	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	917,463	919,747
Irrevocable commitments to extend credit:		
- maturity less than one year	26,457,159	23,913,907
- maturity more than one year	17,073,556	17,538,803
Unutilised credit card lines	6,902,344	7,090,121
	55,234,363	52,485,780
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- less than one year	67,555,981	58,120,986
- one year to five years	7,321,941	5,944,644
- over five years	737,005	396,495
Interest rate related contracts:		
- less than one year	46,129,203	35,859,070
- one year to five years	84,573,444	55,088,368
- over five years	4,399,525	4,308,323
Equity related contracts:		
- less than one year	487,429	245,878
- one year to five years	668,593	102,899
- over five years	-	270,542
Credit related contracts:		
- less than one year	121,391	-
- over five years	1,225,853	938,327
Commodity related contracts:		
- less than one year	554,082	438,428
- one year to five years	-	493,416
	213,774,447	162,207,376
	269,008,810	214,693,156

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

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:

	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Group				
30 June 2023				
<u>Recurring fair value measurements</u>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	16,937,095	-	16,937,095
- Quoted securities	6,464,089	-	-	6,464,089
- Unquoted securities	-	8,099,338	393,370	8,492,708
Financial investments at FVOCI				
- Money market instruments	-	20,993,658	-	20,993,658
- Quoted securities	4,436,851	-	-	4,436,851
- Unquoted securities	-	10,196,626	97,650	10,294,276
Derivative financial instruments	26,174	2,135,086	74,354	2,235,614
	<u>10,927,114</u>	<u>58,361,803</u>	<u>565,374</u>	<u>69,854,291</u>

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

A31 Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 June 2023				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	874	2,374,718	71,839	2,447,431
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,564,330	-	3,564,330
	<u>874</u>	<u>5,939,048</u>	<u>71,839</u>	<u>6,011,761</u>
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 year (30 June 2022: RM Nil).

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

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	10,707	-	18,418	18,418
Net fair value changes recognised in other comprehensive income	-	14,264	-	-
Purchases	-	-	57,400	56,257
Disposal	-	-	-	-
Settlements	-	-	(106,266)	(106,346)
At 30 June 2023	393,370	97,650	74,354	71,839
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023	10,707	-	18,418	18,418
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	-	14,264	-	-
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 RM1,130.8 million for the current quarter ended 30 June 2023 as compared to RM1,334.2 million in the previous corresponding quarter, a decrease of RM203.4 million or 15.2%. The decrease was due to lower contribution from all operating divisions.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM1,040.4 million for the current quarter ended 30 June 2023 as compared to RM1,217.4 million in the previous corresponding quarter, a decrease of RM177.0 million or 14.5%. The decrease was mainly due to lower revenue of RM195.2 million and higher operating expenses of RM27.3 million. This was mitigated by higher share of profit from associated company which has increased by RM29.7 million and lower allowance for impairment losses on loans, advances & financing of RM15.8 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM84.1 million for the current quarter ended 30 June 2023 as compared to RM88.9 million in the previous corresponding quarter, a decrease of RM4.8 million or 5.4%. The decrease was mainly due to lower life fund surplus of RM59.0 million, higher operating expenses of RM19.3 million and lower share of profit from associated company of RM2.0 million. This was mitigated by higher revenue of RM75.5 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM8.9 million for the current quarter ended 30 June 2023 as compared to RM12.4 million in the previous corresponding quarter, a decrease of RM3.5 million or 28.7%. 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 RM5,102.4 million for the year ended 30 June 2023 as compared to RM4,840.0 million in the previous corresponding year, an increase of RM262.4 million or 5.4%. The increase was due to higher contribution from commercial banking and insurance divisions.

HLB recorded a profit before tax of RM4,626.6 million for the year ended 30 June 2023 as compared to RM4,366.8 million in the previous corresponding year, an increase of RM259.8 million or 6.0%. The increase was mainly due to higher share of profit from associated company which has increased by RM259.0 million, higher revenue of RM88.1 million and lower allowance for impairment losses on loans, advances and financing of RM48.2 million. This was offset by higher operating expenses of RM134.9 million and lower written back of impairment losses on financial investment and other assets of RM0.6 million.

HLAH recorded a profit before tax of RM441.0 million for the year ended 30 June 2023 as compared to RM393.7 million in the previous corresponding year, an increase of RM47.3 million or 12.0%. The increase was mainly due to higher revenue of RM175.7 million. This was offset by lower life fund surplus of RM68.9 million, higher operating expenses of RM49.5 million and lower share of profit from associated company of RM10.0 million.

HLCB recorded a profit before tax of RM61.4 million for the year ended 30 June 2023 as compared to RM97.2 million in the previous corresponding year, a decrease of RM35.8 million or 36.8%. 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 RM1,130.8 million for the current quarter ended 30 June 2023 as compared to RM1,273.8 million in the preceding quarter, a decrease of RM143.0 million or 11.2%. The decrease was due to lower contribution from all operating divisions.

HLB recorded a profit before tax of RM1,040.4 million for the current quarter ended 30 June 2023 as compared to RM1,111.7 million in the preceding quarter, a decrease of RM71.3 million or 6.4%. The decrease was mainly due to lower revenue of RM92.9 million and higher operating expenses of RM28.0 million. This was mitigated by higher share of profit from associated company which has increased by RM25.6 million, lower allowance for impairment losses on loans, advances and financing of RM23.6 million and higher written back for impairment losses on financial investment & other assets of RM0.4 million.

HLAH recorded a profit before tax of RM84.1 million for the current quarter ended 30 June 2023 as compared to RM148.8 million in the preceding quarter, a decrease of RM64.7 million or 43.5%. The decrease was mainly due to lower life fund surplus of RM41.7 million and lower share of profit from associated company of RM12.6 million, lower revenue of RM6.8 million and higher operating expenses of RM3.6 million.

HLCB recorded a profit before tax of RM8.9 million for the current quarter ended 30 June 2023 as compared to RM16.4 million in the preceding quarter, a decrease of RM7.5 million or 46.0%. This was mainly due to lower contribution from investment banking & stockbroking as well as investment holding & others divisions.

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 global economy is anticipated to face headwinds from slower growth in major economies and escalating geopolitical tensions leading to reciprocal trade protection measures. IMF projected global GDP growth to moderate from 3.5% in 2022 to 3.0% in 2023 and 2024. Malaysia's GDP is projected to grow between 4.0% to 5.0% underpinned by robust domestic demand, low unemployment rate and easing inflationary pressure to 2.4% in June 2023 from 2.8% in the previous month. However, local market conditions are subject to downside risks stemming from slower growth of China's economy, muted tourism recovery, volatile foreign exchange and sluggish global demand that led to a contraction of Malaysia external trade by 16.3% in June 2023. Given the global economic uncertainties compounded with domestic challenges, we maintain a cautious outlook for the new financial year. We shall remain vigilant and be prepared to navigate a volatile business environment.

B4 Variance in profit forecast and shortfall in profit guarantee

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

B5 Taxation

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Group				
Income tax	208,847	376,284	842,387	1,139,477
Transfer from deferred tax	15,973	(22,439)	92,958	46,724
	<u>224,820</u>	<u>353,845</u>	<u>935,345</u>	<u>1,186,201</u>
Prior period/year over provision	(37,990)	(27,284)	(40,584)	(29,083)
	<u>186,830</u>	<u>326,561</u>	<u>894,761</u>	<u>1,157,118</u>

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
The Company				
Income tax	690	226	600	418
Transfer to deferred tax	(42)	(44)	26	(45)
	<u>648</u>	<u>182</u>	<u>626</u>	<u>373</u>
Prior period/year over provision	(418)	(122)	(418)	(122)
	<u>230</u>	<u>60</u>	<u>208</u>	<u>251</u>

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

B6 Status of corporate proposals

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

B7 Borrowings

	The Group		The Company	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Unsecured				
Revolving credit	-	100,075	-	100,075
Commercial papers	-	109,920	-	109,920
Senior notes	201,936	201,936	201,919	201,863
	<u>201,936</u>	<u>411,931</u>	<u>201,919</u>	<u>411,858</u>
Repayment of revolving credit				
- Less than one year	-	100,075	-	100,075
Repayment of commercial papers				
- Less than one year	-	109,920	-	109,920
Repayment of senior notes				
- One to three years	201,936	201,936	201,919	201,863
	<u>201,936</u>	<u>411,931</u>	<u>201,919</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	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,710	4,710	-	-
		604,710	604,710	-	-
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	1,100,000	1,600,000
Add: Interest payable		2,867	2,473	2,203	2,473
		1,602,867	1,602,473	1,102,203	1,602,473
Less: Unamortised discounts		(927)	(100)	(344)	(849)
		1,601,940	1,602,373	1,101,859	1,601,624
		2,206,650	2,207,083	1,101,859	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 issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company. On 26 June 2023, the Company had fully redeemed the RM500.0 million nominal value of this Sub-Notes.

On 14 June 2019, the Company had issued an unsecured RM1.1 billion nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.30% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion and RM100.0 million Tier 2 subordinated notes issued by HLB and HLIB respectively, the subsidiary companies of the Company.

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

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

B9 Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 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	16,005	13,712	4,965	6,799
	<u>1,716,005</u>	<u>1,713,712</u>	<u>404,965</u>	<u>806,799</u>
Less: Unamortised discounts	(1,490)	(1,145)	(114)	(368)
Add: Fair value changes arising from fair value hedges	5,115	3,282	-	-
	<u>1,719,630</u>	<u>1,715,849</u>	<u>404,851</u>	<u>806,431</u>

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

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

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

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

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

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

B10 Off-balance sheet financial instruments

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

The Group

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

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 RM522,107,000 (30 June 2022: RM480,304,000) and RM131,760,483,000 (30 June 2022: RM92,034,265,000) respectively.

Derivatives

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

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

B10 Off-balance sheet financial instruments (continued)

Credit risk

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM2,489,863,000 (30 June 2022: RM2,203,729,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (ie, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Liquidity risk

Derivatives

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of income.

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

B10 Off-balance sheet financial instruments (continued)

Related accounting policies (continued)

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

B11 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

B12 Dividend declared

A single-tier final dividend of 32.0 sen per share has been declared for the financial year ended 30 June 2023.

- (i) Amount per share: 32.0 sen per share
- (ii) Previous corresponding period: 31.0 sen per share
- (iii) Entitlement date: TBC
- (iv) Payment date: TBC

B13 Earnings per share

(a) Basic earnings per share

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

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
The Group				
Net profit attributable to equity holders	626,274	674,683	2,791,303	2,452,209
Weighted average number of ordinary shares ('000)	1,134,102	1,133,945	1,134,049	1,133,882
Basic earnings per share (sen)	55.2	59.5	246.1	216.3

	4th Quarter Ended		Twelve Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
The Company				
Net profit attributable to equity holders equity holders	(3,260)	11,786	857,882	807,672
Weighted average number of ordinary shares ('000)	1,138,194	1,138,037	1,138,141	1,137,974
Basic earnings per share (sen)	(0.3)	1.0	75.4	71.0

(b) Diluted earnings per share

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

Dated this 30 August 2023