

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

		<u>The Group</u>		<u>The Company</u>	
		31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000
	Note				
Assets					
Cash and short-term funds		7,902,611	7,548,161	11,882	8,993
Deposits and placements with banks and other financial institutions		1,899,267	1,652,027	72,860	129,360
Securities purchased under resale agreements		473,546	297,315	-	-
Financial assets at fair value through profit or loss	A9	35,703,402	31,824,070	526,718	371,937
Financial investments at fair value through other comprehensive income	A10	36,239,280	43,142,054	-	-
Financial investments at amortised cost	A11	29,292,832	32,457,440	-	-
Derivative financial instruments	B10	1,864,854	1,389,900	-	-
Loans, advances and financing	A12	198,123,039	193,613,380	-	-
Clients' and brokers' balances		136,799	236,831	-	-
Other assets	A13	2,656,717	4,752,476	3,080	2,637
Statutory deposits with Central Banks		3,305,203	3,275,743	-	-
Tax recoverable		7,802	8,576	218	-
Investment in subsidiary companies		-	-	17,054,109	17,054,109
Investment in associated companies		11,533,611	10,889,153	-	-
Deferred tax assets		325,119	-	298	221
Property and equipment		1,102,329	1,145,889	3,883	4,504
Right-of-use assets		162,164	177,995	1,724	2,195
Investment properties		471,630	471,630	-	-
Goodwill arising on consolidation		2,410,644	2,410,644	-	-
Intangible assets		377,881	386,458	44	69
Insurance/reinsurance contract assets		493,240	525,721	-	-
Total Assets		334,481,970	336,205,463	17,674,816	17,574,025
Liabilities					
Deposits from customers	A14	224,305,938	220,075,326	-	-
Investment accounts of customers	A15	1,907,031	2,166,534	-	-
Deposits and placements of banks and other financial institutions	A16	11,523,513	14,178,774	-	-
Obligations on securities sold under repurchase agreements		4,182,353	9,823,649	-	-
Bills and acceptances payable		291,910	282,547	-	-
Derivative financial instruments	B10	2,025,221	1,833,231	-	-
Clients' and brokers' balances		143,767	233,891	-	-
Other liabilities	A17	8,749,073	8,911,178	19,600	15,122
Lease liabilities		166,784	181,312	1,917	2,408
Recourse obligations on loans/financing sold to Cagamas Berhad		3,171,623	3,277,003	-	-
Provision for taxation		315,592	202,818	-	252
Deferred tax liabilities		784,166	361,224	-	-
Borrowings	B7	1,039,913	751,862	-	201,991
Subordinated obligations	B8	2,205,621	2,205,168	-	-
Multi-currency Additional Tier 1 capital securities	B9	1,714,543	1,718,671	-	-
Insurance/reinsurance contract liabilities		26,404,513	25,633,476	-	-
Total Liabilities		288,931,561	291,836,664	21,517	219,773
Equity					
Share capital		2,267,008	2,267,008	2,267,008	2,267,008
Reserves		28,925,778	28,053,839	15,558,085	15,259,038
Treasury shares for ESS		(230,177)	(230,177)	(171,794)	(171,794)
Total Shareholders' Equity		30,962,609	30,090,670	17,653,299	17,354,252
Non-controlling interests		14,587,800	14,278,129	-	-
Total Equity		45,550,409	44,368,799	17,653,299	17,354,252
Total Equity and Liabilities		334,481,970	336,205,463	17,674,816	17,574,025
Commitments and Contingencies	A30	377,148,146	323,287,166	-	-
Net assets per share (net of treasury shares)					
attributable to ordinary equity holders of the parent (RM)		27.30	26.53	15.51	15.25

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

		2nd Quarter Ended		Six Months Ended	
		31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group	Note				
Interest income	A18	2,240,468	2,216,263	4,517,892	4,375,070
Interest income for financial assets at fair value through profit or loss	A19	38,867	43,357	80,690	84,050
Interest expense	A20	(1,263,716)	(1,283,756)	(2,546,719)	(2,535,416)
Net interest income		1,015,619	975,864	2,051,863	1,923,704
Income from Islamic banking business	A21	297,441	241,351	585,254	471,584
		1,313,060	1,217,215	2,637,117	2,395,288
Non-interest income	A22	542,127	480,155	1,110,035	878,369
Net income		1,855,187	1,697,370	3,747,152	3,273,657
Overhead expenses	A23	(689,676)	(606,912)	(1,380,910)	(1,248,116)
Operating profit before allowances		1,165,511	1,090,458	2,366,242	2,025,541
(Allowance for)/write-back of impairment losses on loans, advances and financing and other losses	A24	(4,898)	5,580	(12,188)	56,820
Write-back of/(allowance for) impairment losses on other assets	A25	593	20	500	(446)
Operating profit after allowances		1,161,206	1,096,058	2,354,554	2,081,915
Share of results of associated companies		414,218	470,020	808,137	847,587
Profit before taxation		1,575,424	1,566,078	3,162,691	2,929,502
Taxation	B5	(311,413)	(320,685)	(629,542)	(568,987)
Net profit for the financial period		1,264,011	1,245,393	2,533,149	2,360,515
Net profit for the financial period attributable to:					
Owners of the parent		839,457	831,866	1,687,129	1,573,511
Non-controlling interests		424,554	413,527	846,020	787,004
		1,264,011	1,245,393	2,533,149	2,360,515
Earnings per share attributable to equity holders of the Company - basic/diluted (sen)	B13	74.0	73.3	148.7	138.7

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Net profit for the financial period	1,264,011	1,245,393	2,533,149	2,360,515
Other comprehensive income:				
(i) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive (losses)/income of associated companies	(3,495)	(8,363)	(36,042)	32,860
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(50,760)	288,480	161,234	274,395
- Changes in expected credit losses	(197)	(45)	(899)	161
(c) Currency translation differences	499,374	41,893	(705,551)	(20,441)
(d) Income tax relating to other comprehensive income	12,622	(61,292)	(32,047)	(57,727)
Other comprehensive income/(expense) for the financial period, net of tax	457,544	260,673	(613,305)	229,248
Total comprehensive income for the financial period	1,721,555	1,506,066	1,919,844	2,589,763
Total comprehensive income for the financial period attributable to:				
Owners of the parent	1,144,255	1,002,709	1,280,632	1,726,665
Non-controlling interests	577,300	503,357	639,212	863,098
	1,721,555	1,506,066	1,919,844	2,589,763

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

		2nd Quarter Ended		Six Months Ended	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
The Company	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A18	861	18,344	1,953	35,608
Interest expense	A20	(30)	(18,979)	(915)	(37,389)
Net interest income/(expense)		831	(635)	1,038	(1,781)
Non-interest income	A22	105,568	91,504	725,489	633,313
Net income		106,399	90,869	726,527	631,532
Overhead expenses	A23	(8,759)	(7,980)	(17,239)	(16,147)
Write-back of impairment losses on other assets	A25	-	712	-	1,421
Profit before taxation		97,640	83,601	709,288	616,806
Taxation	B5	(213)	(96)	(435)	(140)
Net profit/total comprehensive income for the financial period		97,427	83,505	708,853	616,666
Earnings per share attributable to equity holders of the Company - basic/diluted (sen)	B13	8.6	7.3	62.3	54.2

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

	Attributable to owner of the parent										
<u>The Group</u>	Share capital RM'000	Regulatory* reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 July 2024	2,267,008	1,276,817	(53,913)	213,825	28,572	974,855	25,613,683	(230,177)	30,090,670	14,278,129	44,368,799
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	1,687,129	-	1,687,129	846,020	2,533,149
Currency translation differences	-	-	-	-	-	(466,811)	-	-	(466,811)	(238,740)	(705,551)
Share of other comprehensive losses of associated companies	-	-	(23,600)	-	-	-	-	-	(23,600)	(12,442)	(36,042)
Financial investments measured at fair value through other comprehensive income											
- Debt instruments											
- Net fair value changes	-	-	84,507	-	-	-	-	-	84,507	44,680	129,187
- Changes in expected credit losses	-	-	(593)	-	-	-	-	-	(593)	(306)	(899)
Total comprehensive income/(expense)	-	-	60,314	-	-	(466,811)	1,687,129	-	1,280,632	639,212	1,919,844
<u>Transaction with owners</u>											
Transfer to regulatory reserve	-	70,526	-	-	-	-	(70,526)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	(398)	-	(398)	398	-
Dividend paid	-	-	-	-	-	-	(409,806)	-	(409,806)	-	(409,806)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	(330,863)	(330,863)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	924	924
Options write back arising from executive share scheme ("ESS") granted	-	-	-	-	986	-	1,449	-	2,435	-	2,435
Exercise of ESS	-	-	-	-	(2,583)	-	1,659	-	(924)	-	(924)
At 31 December 2024	2,267,008	1,347,343	6,401	213,825	26,975	508,044	26,823,190	(230,177)	30,962,609	14,587,800	45,550,409

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

	Attributable to owner of the parent										
The Group	Share capital RM'000	Regulatory* reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESS RM'000	Total shareholders' equity RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 July 2023	2,267,008	1,016,490	(318,005)	213,314	35,502	967,332	22,843,179	(233,108)	26,791,712	12,837,922	39,629,634
Effects of adopting MFRS 17	-	-	-	-	-	-	359,737	-	359,737	152,902	512,639
Restated	2,267,008	1,016,490	(318,005)	213,314	35,502	967,332	23,202,916	(233,108)	27,151,449	12,990,824	40,142,273
Comprehensive income											
Net profit for the financial period	-	-	-	-	-	-	1,573,511	-	1,573,511	787,004	2,360,515
Currency translation differences	-	-	-	-	-	(13,901)	-	-	(13,901)	(6,540)	(20,441)
Share of other comprehensive profit of associated companies	-	-	24,867	-	-	-	-	-	24,867	7,993	32,860
Financial investments measured at fair value through other comprehensive income											
- Debt instruments	-	-	142,076	-	-	-	-	-	142,076	74,592	216,668
- Net fair value changes	-	-	112	-	-	-	-	-	112	49	161
- Changes in expected credit losses	-	-	167,055	-	-	(13,901)	1,573,511	-	1,726,665	863,098	2,589,763
Total comprehensive income/(expenses)	-	-	167,055	-	-	(13,901)	1,573,511	-	1,726,665	863,098	2,589,763
Transaction with owners											
Transfer to regulatory reserve	-	114,353	-	-	-	-	(114,353)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	(2,582)	-	(2,582)	2,582	-
Dividend paid	-	-	-	-	-	-	(364,172)	-	(364,172)	-	(364,172)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	(288,960)	(288,960)
Non-controlling interests share of subsidiary's treasury shares	-	-	-	-	-	-	-	-	-	4,409	4,409
Options write back arising from executive share scheme	-	-	-	-	574	-	-	-	574	-	574
Options write back arising from ESS	-	-	-	-	1,109	-	-	-	1,109	-	1,109
Exercise of ESS	-	-	-	-	(14,072)	-	6,732	2,931	(4,409)	-	(4,409)
At 31 December 2023	2,267,008	1,130,843	(150,950)	213,314	23,113	953,431	24,302,052	(230,177)	28,508,634	13,571,953	42,080,587

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM1,330,214,000 (31 December 2023: RM1,116,765,000) 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 RM17,129,000 (31 December 2023: RM14,078,000).

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

	← Non-distributable →				Distributable	
<u>The Company</u>	Share capital RM'000	Other capital reserve RM'000	Share options reserve RM'000	Treasury shares for ESS RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2024	2,267,008	254,991	-	(171,794)	15,004,047	17,354,252
Net profit for the financial period	-	-	-	-	708,853	708,853
Dividends paid	-	-	-	-	(409,806)	(409,806)
At 31 December 2024	2,267,008	254,991	-	(171,794)	15,303,094	17,653,299
At 1 July 2023	2,267,008	254,991	2,296	(174,725)	14,627,185	16,976,755
Net profit for the financial period	-	-	-	-	616,666	616,666
Dividends paid	-	-	-	-	(364,172)	(364,172)
Options write back arising from executive share scheme	-	-	574	-	-	574
Exercise of executive share scheme	-	-	(2,870)	2,931	(61)	-
At 31 December 2023	2,267,008	254,991	-	(171,794)	14,879,618	17,229,823

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

HONG LEONG FINANCIAL GROUP BERHAD 196801000439 (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2024

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	3,162,691	2,929,502	709,288	616,806
Adjustment for non-cash items	(683,799)	(1,874,421)	(719,193)	(624,250)
Operating profit/(loss) before working capital changes	2,478,892	1,055,081	(9,905)	(7,444)
Income tax paid	(432,334)	(389,055)	(983)	-
Interest received	1,953	2,634	1,953	2,634
Changes in working capital:				
Net changes in operating assets	(6,798,843)	(2,918,060)	(224,736)	(306,724)
Net changes in operating liabilities	(4,549,256)	2,962,572	4,470	3,350
Net cash (used in)/generated from operating activities	(9,299,588)	713,172	(229,201)	(308,184)
Cash flows from investing activities				
Net disposal/(purchases) of financial investments at FVOCI	7,085,162	(4,066,708)	-	-
Net disposal/(purchases) of financial investments at amortised cost	3,164,611	(393,852)	-	-
Interest received on financial investments at FVOCI	700,350	317,223	-	-
Interest received on financial investments at amortised cost	349,811	734,006	-	-
Purchase of intangible assets	(34,970)	(11,917)	(1)	(3)
Purchase of property and equipment	(7,577)	(39,259)	(11)	(354)
Net proceeds from disposal of property and equipment	7	2,222	-	-
Dividends received from other investments	41,499	41,508	4,801	-
Dividends received from subsidiary companies	-	-	714,496	626,299
Dividends received from associated companies	359,785	330,808	-	-
Interest received from investment in debt instrument issued by subsidiary company	-	-	-	-
- Interest on Multi-currency AT1 capital securities	-	-	-	9,518
- Interest on subordinated obligations	-	-	-	23,329
Net cash generated from/(used in) investing activities	11,658,678	(3,085,969)	719,285	658,789
Cash flows from financing activities				
Dividends paid to equity holders of the Company	(409,806)	(364,172)	(409,806)	(364,172)
Dividends paid to non-controlling interests	(330,863)	(288,960)	-	-
Repayment of lease liabilities	(19,302)	(11,717)	(491)	(466)
Repayment of borrowings	(450,000)	-	(200,000)	-
Repayment of recourse obligations on loans sold to Cagamas Berhad	(600,000)	-	-	-
Proceeds from senior notes	734,000	300,000	-	-
Proceeds from recourse obligations on loans sold to Cagamas Berhad	500,000	300,000	-	-
Interest paid on Multi-currency AT1 capital securities	(38,024)	(39,577)	-	(9,719)
Interest paid on subordinated obligations	(44,340)	(45,479)	-	(23,715)
Interest paid on borrowings	(9,077)	(3,233)	(2,842)	(3,397)
Interest paid on recourse obligations on loans sold to Cagamas Berhad	(64,296)	(55,633)	-	-
Interest paid on lease liabilities	(3,804)	(4,195)	(56)	(81)
Net cash used in financing activities	(735,512)	(212,966)	(613,195)	(401,550)
Net increase/(decrease) in cash and cash equivalents	1,623,578	(2,585,763)	(123,111)	(50,945)
Effects of exchange rate changes	(697,462)	(20,441)	-	-
Cash and cash equivalents at beginning of the financial year	8,599,141	10,116,501	135,053	65,306
Cash and cash equivalents at end of financial period	9,525,257	7,510,297	11,942	14,361
Analysis of cash and cash equivalents				
Cash and short-term funds	7,902,611	6,104,214	11,882	14,301
Deposits and placements with banks and other financial institutions	1,899,267	1,801,382	72,860	304,360
	9,801,878	7,905,596	84,742	318,661
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months	(276,621)	(395,299)	(72,800)	(304,300)
	9,525,257	7,510,297	11,942	14,361

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2024.

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

A1 Basis of preparation

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

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2024. 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 2024.

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 2024 and modified for the adoption of the following accounting standards applicable for financial year beginning on or after 1 July 2024:

- Amendments to MFRS 101 "Presentation of Financial Statements"
- Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback"
- Amendments to MFRS 107 "Statement of Cash Flows - Supplier Finance Arrangements" and MFRS 7 "Financial Instruments: Disclosures - Supplier Finance Arrangements"

The adoption of the above accounting standards, amendments to published standards and interpretation to existing standards are not expected to give rise to any material financial impact to 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 the 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 2024

There was no qualified report issued by the auditors in the preceding annual financial statements for the financial year ended 30 June 2024.

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 during the financial period.

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial year

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

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

A6 Issuance and repayment of debt and equity securities

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

A7 Dividend paid

On 29 August 2024, the Board of Directors has declared a single-tier final dividend of 36.0 sen per share in respect of the financial year ended 30 June 2024. The dividend amounted to approximately RM409,806,000 was paid on 21 November 2024.

A8 Segmental reporting

Operating segments are reported based on the Group's internal reporting provided to the Chief Operating Decision-Maker ("CODM"). The CODM is the person or a group that allocates resources to and assesses the performance of the operating segments of an entity.

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

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

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

Business segments

The Group comprises the following main business segments:

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

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A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Inter- Segment Eliminations RM'000	Consolidated RM'000
<u>2nd Quarter ended 31 December 2024</u>						
Revenue						
External revenue	1,616,046	51,416	168,630	19,095	-	1,855,187
Inter-segment revenue	16,003	231	12,919	87,304	(116,457)	-
Segment revenue	<u>1,632,049</u>	<u>51,647</u>	<u>181,549</u>	<u>106,399</u>	<u>(116,457)</u>	<u>1,855,187</u>
Results						
Segment results	1,000,435	19,391	141,988	97,640	(98,248)	1,161,206
Share of results of associated companies	400,175	-	14,043	-	-	414,218
Profit before taxation	<u>1,400,610</u>	<u>19,391</u>	<u>156,031</u>	<u>97,640</u>	<u>(98,248)</u>	<u>1,575,424</u>
Taxation						(311,413)
Net profit for the financial period						<u><u>1,264,011</u></u>
Net profit for the financial period attributable to:						
Owners of the parent						839,457
Non-controlling interests						<u>424,554</u>
						<u><u>1,264,011</u></u>
The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Inter- Segment Eliminations RM'000	Consolidated RM'000
<u>Six months ended 31 December 2024</u>						
Revenue						
External revenue	3,200,923	108,399	413,589	24,241	-	3,747,152
Inter-segment revenue	29,000	(26)	22,827	702,289	(754,090)	-
Segment revenue	<u>3,229,923</u>	<u>108,373</u>	<u>436,416</u>	<u>726,530</u>	<u>(754,090)</u>	<u>3,747,152</u>
Results						
Segment results	1,965,217	41,184	360,082	709,292	(721,221)	2,354,554
Share of results of associated companies	774,763	-	33,374	-	-	808,137
Profit before taxation	<u>2,739,980</u>	<u>41,184</u>	<u>393,456</u>	<u>709,292</u>	<u>(721,221)</u>	<u>3,162,691</u>
Taxation						(629,542)
Net profit for the financial period						<u><u>2,533,149</u></u>
Net profit for the financial period attributable to:						
Owners of the parent						1,687,129
Non-controlling interests						<u>846,020</u>
						<u><u>2,533,149</u></u>
Other information						
Segment assets	296,251,551	4,899,962	33,451,202	17,674,828	(17,795,573)	<u>334,481,970</u>
Segment liabilities	258,197,611	3,896,691	28,029,692	23,159	(1,215,592)	<u>288,931,561</u>

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A8 Segmental reporting (continued)

The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Inter- Segment Eliminations RM'000	Consolidated RM'000
2nd Quarter ended 31 December 2023						
Revenue						
External revenue	1,459,880	50,725	203,163	(16,398)	-	1,697,370
Inter-segment revenue	4,834	(73)	238	81,556	(86,555)	-
Segment revenue	<u>1,464,714</u>	<u>50,652</u>	<u>203,401</u>	<u>65,158</u>	<u>(86,555)</u>	<u>1,697,370</u>
Results						
Segment results	892,804	19,446	185,725	83,602	(85,519)	1,096,058
Share of results of associated companies	448,159	-	21,861	-	-	470,020
Profit before taxation	<u>1,340,963</u>	<u>19,446</u>	<u>207,586</u>	<u>83,602</u>	<u>(85,519)</u>	<u>1,566,078</u>
Taxation						(320,685)
Net profit for the financial period						<u><u>1,245,393</u></u>
Net profit for the financial period attributable to:						
Owners of the parent						831,866
Non-controlling interests						413,527
						<u><u>1,245,393</u></u>
The Group	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Inter- Segment Eliminations RM'000	Consolidated RM'000
Six months ended 31 December 2023						
Revenue						
External revenue	2,849,477	113,041	326,957	(15,818)	-	3,273,657
Inter-segment revenue	9,352	900	469	621,639	(632,360)	-
Segment revenue	<u>2,858,829</u>	<u>113,941</u>	<u>327,426</u>	<u>605,821</u>	<u>(632,360)</u>	<u>3,273,657</u>
Results						
Segment results	1,781,452	46,859	260,587	616,801	(623,784)	2,081,915
Share of results of associated companies	802,640	-	44,947	-	-	847,587
Profit before taxation	<u>2,584,092</u>	<u>46,859</u>	<u>305,534</u>	<u>616,801</u>	<u>(623,784)</u>	<u>2,929,502</u>
Taxation						(568,987)
Net profit for the financial period						<u><u>2,360,515</u></u>
Net profit for the financial period attributable to:						
Owners of the parent						1,573,511
Non-controlling interests						787,004
						<u><u>2,360,515</u></u>
Other information						
Segment assets	285,082,117	4,762,135	30,337,651	18,959,957	(18,953,399)	<u>320,188,461</u>
Segment liabilities	249,536,254	3,796,192	25,299,136	1,731,767	(2,255,475)	<u><u>278,107,874</u></u>

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

	The Group	
	31 December 2024 RM'000	30 June 2024 RM'000
Money market instruments		
Government treasury bills	1,508,762	277,607
Malaysian Government securities	4,083,195	4,823,917
Malaysian Government investment certificates	1,762,258	1,076,181
Negotiable instruments of deposit	2,089,106	2,044,989
Cagamas bonds	545,506	-
Other Government guaranteed assets	6,857,340	6,803,639
	16,846,167	15,026,333
Quoted securities		
Shares in Malaysia	8,515,514	6,828,887
Shares outside Malaysia	545,763	598,875
Wholesale fund/unit trust investments	673,497	973,602
Portfolio Investment Accounts [Note]	779	898
Foreign currency bonds in Malaysia	318,828	-
Foreign currency bonds outside Malaysia	63,492	18,623
Investment-linked funds	264	259
Warrants in Malaysia	831	602
	10,118,968	8,421,746
Unquoted securities		
Shares in Malaysia	429,906	429,906
Foreign currency bonds outside Malaysia	21,565	56,861
Government sukuk	3,797	-
Corporate bonds and sukuk	8,196,639	7,803,081
Perpetual bonds	86,360	86,143
	8,738,267	8,375,991
Total financial assets at FVTPL	35,703,402	31,824,070

	The Company	
	31 December 2024 RM'000	30 June 2024 RM'000
Quoted securities		
Unit trust investments	526,718	371,937

Note :

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

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

	The Group	
	31 December 2024 RM'000	30 June 2024 RM'000
At fair value		
(a) Debt instruments	36,122,483	43,025,257
(b) Equity instruments	116,797	116,797
	36,239,280	43,142,054

	The Group	
	31 December 2024 RM'000	30 June 2024 RM'000
(a) Debt instruments		
Money market instruments		
Government treasury bills	1,771,744	2,246,646
Malaysian Government securities	3,347,073	6,146,837
Malaysian Government investment certificates	12,418,507	13,267,317
Negotiable instruments of deposit	301,518	675,809
Other Government securities	61,905	-
Khazanah bonds	117,478	279,463
Cagamas bonds	2,578,687	3,053,248
	20,596,912	25,669,320
Quoted securities		
Government sukuk	846,462	889,288
Foreign currency bonds in Malaysia	1,430,908	1,734,169
Foreign currency bonds outside Malaysia	1,952,016	2,929,890
	4,229,386	5,553,347
Unquoted securities		
Corporate bonds and sukuk	9,184,939	8,826,152
Foreign currency bonds in Malaysia	96,459	91,357
Foreign currency bonds outside Malaysia	2,014,787	2,885,081
	11,296,185	11,802,590
	36,122,483	43,025,257

Note :

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

	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total ECL
The Group		RM'000	RM'000	RM'000
At 1 July 2024	3,275	-	18,442	21,717
New financial assets originated or purchased	444	-	-	444
Financial assets derecognised	(824)	-	-	(824)
Changes due to change in credit risk	(316)	-	-	(316)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(186)	-	(750)	(936)
At 31 December 2024	2,373	-	17,692	20,065
At 1 July 2023	2,275	-	18,227	20,502
New financial assets originated or purchased	1,967	-	-	1,967
Financial assets derecognised	(1,218)	-	-	(1,218)
Changes due to change in credit risk	210	-	119	329
Exchange differences	41	-	96	137
At 30 June 2024	3,275	-	18,442	21,717

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

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
(b) Equity instruments		
Unquoted securities		
Shares in Malaysia	116,797	116,797

A11 Financial investments at amortised cost

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Money market instruments		
Government treasury bills	-	60,785
Malaysian Government securities	5,595,992	6,096,307
Malaysian Government investment certificates	21,568,440	23,884,113
Cagamas bonds	1,517,255	1,517,030
Other Government securities	271,827	362,242
	28,953,514	31,920,477
Unquoted securities		
Corporate bonds and sukuk	339,329	536,977
Less: Expected credit losses	(11)	(14)
Total financial investments at amortised cost	29,292,832	32,457,440

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

	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total ECL
The Group		RM'000	RM'000	RM'000
At 1 July 2024	14	-	-	14
Changes due to change in credit risk	(1)	-	-	(1)
Changes in models/risk parameters	(2)	-	-	(2)
At 31 December 2024	11	-	-	11
At 1 July 2023	18	-	-	18
Changes due to change in credit risk	(1)	-	-	(1)
Exchange differences	(3)	-	-	(3)
At 30 June 2024	14	-	-	14

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A12 Loans, advances and financing

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Overdrafts	3,630,529	3,858,994
Term loans/financing:		
- Housing and shop loans/financing	106,134,157	103,049,863
- Hire purchase receivables	23,197,542	22,250,979
- Ijarah receivables	249,141	249,051
- Other term loans/financing and syndicated term loans	38,706,952	37,397,465
Credit/charge card receivables	3,459,003	3,489,171
Bills receivable	3,878,553	2,947,444
Trust receipts	276,430	384,096
Claims on customers under acceptance credits	8,716,074	9,407,373
Revolving credits	11,008,649	11,802,126
Share margin financing	276,853	279,689
Staff loans/financing	116,093	120,339
Gross loans, advances and financing	199,649,976	195,236,590
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(8,875)	(9,212)
Allowance for impairment losses:		
- Expected credit losses	(1,518,062)	(1,613,998)
Total net loans, advances and financing	198,123,039	193,613,380

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM3,032,968,000 (30 June 2024: RM3,136,775,000).

(a) By type of customers

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Domestic non-bank financial institutions	2,007,180	1,892,054
Domestic business enterprises:		
- Small and medium enterprises	38,266,160	37,590,482
- Others	26,847,866	28,652,314
Government and statutory bodies	662	816
Individuals	126,931,498	122,844,567
Other domestic entities	116,294	32,223
Foreign entities	5,480,316	4,224,134
Gross loans, advances and financing	199,649,976	195,236,590

(b) By interest/profit rate sensitivity

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Fixed rate		
- Housing and shop loans/financing	5,111,810	5,422,729
- Hire purchase receivables	23,049,706	22,213,647
- Other fixed rate loans/financing	7,889,555	8,427,763
Variable rate		
- Standardised base rate/base rate/base lending rate plus	136,844,693	131,252,699
- Cost plus	26,674,484	27,872,764
- Other variable rates	79,728	46,988
Gross loans, advances and financing	199,649,976	195,236,590

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A12 Loans, advances and financing (continued)

(c) By economic purposes

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Purchase of securities	1,416,654	1,414,423
Purchase of transport vehicles	22,891,547	21,938,558
Purchase of landed properties		
- Residential	97,698,158	94,770,048
- Non-residential	25,070,551	23,825,854
Purchase of fixed assets (excluding landed properties)	1,717,151	1,719,202
Personal use	4,345,805	4,110,940
Credit card	3,459,003	3,489,171
Construction	6,345,424	5,836,501
Working capital	35,489,683	36,876,709
Other purposes	1,216,000	1,255,184
Gross loans, advances and financing	199,649,976	195,236,590

(d) By geographical distribution

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Malaysia	185,519,692	181,226,397
Outside Malaysia		
- Singapore	9,879,424	9,619,561
- Hong Kong	32,445	42,735
- Vietnam	2,194,933	2,127,381
- Cambodia	2,023,482	2,220,516
Gross loans, advances and financing	199,649,976	195,236,590

(e) By residual contractual maturity

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Within one year	34,456,582	36,648,484
One year to less than three years	6,333,307	6,441,038
Three years to less than five years	12,236,303	11,506,456
Five years and more	146,623,784	140,640,612
Gross loans, advances and financing	199,649,976	195,236,590

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

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
At beginning of financial year	1,041,199	1,042,010
Classified as impaired during the financial period/year	1,015,008	1,641,900
Reclassified as non-impaired during the financial period/year	(531,098)	(1,065,120)
Amount written back in respect of recoveries	(217,570)	(291,862)
Amount written off	(211,452)	(286,172)
Exchange differences	(4,132)	443
At end of financial period/year	1,091,955	1,041,199
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	0.55%	0.53%

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A12 Loans, advances and financing (continued)

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

	The Group	
	31 December 2024 RM'000	30 June 2024 RM'000
Purchase of securities	60	62
Purchase of transport vehicles	95,057	76,078
Purchase of landed properties		
- Residential	385,678	388,241
- Non-residential	127,441	126,314
Purchase of fixed assets (excluding landed properties)	4,564	7,123
Personal use	33,704	28,490
Credit card	26,832	26,655
Construction	77,064	25,225
Working capital	328,345	294,711
Other purposes	13,210	68,300
Gross impaired loans, advances and financing	1,091,955	1,041,199

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

	The Group	
	31 December 2024 RM'000	30 June 2024 RM'000
Malaysia	991,991	963,209
Outside Malaysia		
- Singapore	3,623	459
- Vietnam	1,337	940
- Cambodia	95,004	76,591
Gross impaired loans, advances and financing	1,091,955	1,041,199

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

	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total ECL
The Group		RM'000	RM'000	RM'000
At 1 July 2024	903,087	341,900	369,011	1,613,998
Changes in ECL due to transfer within stages	(26,655)	(77,127)	103,782	-
- Transfer to Stage 1	4,326	(4,315)	(11)	-
- Transfer to Stage 2	(30,926)	63,176	(32,250)	-
- Transfer to Stage 3	(55)	(135,988)	136,043	-
New financial assets originated	24,897	451	64	25,412
Financial assets derecognised	(10,118)	(17,714)	(9,560)	(37,392)
Changes due to change in credit risk	(18,309)	86,539	72,864	141,094
Modifications to contractual cash flow of financial assets	5	61	-	66
Amount written off	-	-	(211,438)	(211,438)
Exchange differences	(1,586)	(41)	(751)	(2,378)
Other movements	-	-	(11,300)	(11,300)
At 31 December 2024	871,321	334,069	312,672	1,518,062

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A12 Loans, advances and financing (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 July 2023	966,580	381,777	411,145	1,759,502
Changes in ECL due to transfer within stages	(55,352)	(132,821)	188,173	-
- Transfer to Stage 1	14,521	(14,498)	(23)	-
- Transfer to Stage 2	(69,098)	143,144	(74,046)	-
- Transfer to Stage 3	(775)	(261,467)	262,242	-
New financial assets originated	51,472	700	118	52,290
Financial assets derecognised	(15,239)	(45,043)	(19,011)	(79,293)
Changes due to change in credit risk	(9,094)	169,142	88,160	248,208
Modifications to contractual cash flow of financial assets	26	2,039	5	2,070
Changes in models/risk parameters	(35,058)	(33,942)	-	(69,000)
Amount written off	-	-	(286,664)	(286,664)
Exchange differences	(248)	48	18	(182)
Other movements	-	-	(12,933)	(12,933)
At 30 June 2024	903,087	341,900	369,011	1,613,998

A13 Other assets

	The Group		The Company	
	31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000
Foreclosed properties	46	46	-	-
Sundry debtors and other prepayments	346,953	786,520	3,080	2,637
Settlement accounts	1,280,751	1,946,768	-	-
Treasury related receivables	244,877	815,332	-	-
Cash collateral pledged for derivative transactions	536,526	848,291	-	-
Fee income receivables net of expected credit losses	2,901	4,091	-	-
Other receivables	244,663	351,428	-	-
	2,656,717	4,752,476	3,080	2,637

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A14 Deposits from customers

(a) By type of deposits

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
At amortised cost		
Fixed deposits	113,797,861	115,789,535
Negotiable instruments of deposits	11,387,860	9,308,765
Short-term placements	21,378,267	17,761,634
	146,563,988	142,859,934
Demand deposits	45,944,891	47,403,113
Savings deposits	24,620,450	23,921,621
Others	337,371	340,249
	217,466,700	214,524,917
At FVTPL		
Structured deposits linked to interest rate derivatives	7,075,425	5,804,820
Fair value changes arising from designation at FVTPL [Note]	(236,187)	(254,411)
	6,839,238	5,550,409
	224,305,938	220,075,326

Note:

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

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

(b) By type of customers

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Government and statutory bodies	3,278,121	3,699,286
Business enterprises	103,596,379	101,973,332
Individuals	114,735,234	111,929,041
Others	2,696,204	2,473,667
	224,305,938	220,075,326

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

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Due within:		
- Six months	114,633,504	120,596,686
- Six months to one year	28,945,929	19,092,939
- One year to five years	2,028,334	2,264,001
- More than five years	956,221	906,308
	146,563,988	142,859,934

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A15 Investment accounts of customers

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Unrestricted investment accounts		
Mudarabah with maturity	1,906,252	2,165,636
Restricted investment accounts		
Wakalah bi Al-Istihmar	779	898
	1,907,031	2,166,534

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

A16 Deposits and placements of banks and other financial institutions

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
Licensed banks	7,869,715	10,145,613
Licensed investment banks	-	47,481
Central banks [Note]	1,559,113	1,533,025
Other financial institutions	2,094,685	2,452,655
	11,523,513	14,178,774

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 RM1,559,113,000 (30 June 2024: RM1,533,025,000) at concession rates.

A17 Other liabilities

	The Group		The Company	
	31 December	30 June	31 December	30 June
	2024	2024	2024	2024
Note	RM'000	RM'000	RM'000	RM'000
Amount due to subsidiary companies	-	-	64	10
Post employment benefits obligation				
- Defined contribution plan	1,890	1,908	25	41
Loan advance payment	3,439,857	3,515,763	-	-
Treasury and cheque clearing	464,187	255,702	-	-
Cash collateral pledge for derivative transactions	301,935	316,352	-	-
Sundry creditors and accruals	459,477	627,358	2,322	2,573
Provision for reinstatement cost	20,858	22,128	301	293
Provision for bonus and staff related expenses	303,507	250,879	16,888	12,205
Expected credit losses on financial guarantee contracts	(a) 6,023	8,089	-	-
Financial liabilities due to third party investors	(b) 1,578,336	863,581	-	-
Settlement accounts	1,417,635	2,115,051	-	-
Others	755,368	934,367	-	-
	8,749,073	8,911,178	19,600	15,122

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A17 Other liabilities (continued)

Note:

(a) Movements in expected credit losses of financial guarantee contracts 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 2024	7,377	712	-	8,089
Changes in ECL due to transfer within stages	(2)	(25)	27	-
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(3)	3	-	-
Transfer to Stage 3	-	(27)	27	-
New financial assets originated	228	-	-	228
Financial assets derecognised	(167)	-	-	(167)
Changes due to change in credit risk	(1,761)	(132)	(27)	(1,920)
Exchange differences	(206)	(1)	-	(207)
At 31 December 2024	5,469	554	-	6,023
At 1 July 2023	6,718	1,392	-	8,110
Changes in ECL due to transfer within stages	(16)	16	-	-
Transfer to Stage 1	36	(36)	-	-
Transfer to Stage 2	(52)	52	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	446	-	-	446
Financial assets derecognised	(433)	(635)	-	(1,068)
Changes due to change in credit risk	812	(67)	-	745
Exchange differences	(150)	6	-	(144)
At 30 June 2024	7,377	712	-	8,089

(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

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Loans, advances and financing	1,677,735	1,594,912	3,335,896	3,171,751
Money at call and deposit placements with financial institutions	45,520	63,348	101,436	123,913
Financial investments at FVOCI	333,428	359,366	700,350	691,988
Financial investments at amortised cost	169,325	183,692	349,811	359,243
Others	14,460	14,945	30,399	28,175
	2,240,468	2,216,263	4,517,892	4,375,070
Of which:				
Interest income earned on impaired loans, advances and financing	14,581	12,708	33,896	24,714

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Company				
Money at call and deposit placements with financial institutions	861	1,857	1,953	2,634
Subordinated obligations	-	11,728	-	23,456
Multi-currency Additional Tier 1 capital securities	-	4,759	-	9,518
	861	18,344	1,953	35,608

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A19 Interest income for financial assets at FVTPL

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Group	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	38,867	43,357	80,690	84,050

A20 Interest expense

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Group	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	92,036	138,731	222,471	248,747
Deposits from customers	989,516	948,878	1,980,632	1,873,574
Short-term placements	112,666	130,813	208,884	286,074
Borrowings	7,907	2,665	12,244	4,102
Subordinated obligations	22,464	23,013	44,793	45,895
Recourse obligations on loans sold to Cagamas Berhad	14,628	16,647	30,556	31,275
Multi-currency Additional Tier 1 capital securities	19,251	19,788	38,501	39,577
Others	5,248	3,221	8,638	6,172
	1,263,716	1,283,756	2,546,719	2,535,416

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Company	RM'000	RM'000	RM'000	RM'000
Borrowings	-	2,021	851	3,472
Subordinated obligations	-	12,013	-	24,026
Multi-currency Additional Tier 1 capital securities	-	4,898	-	9,796
Others	30	47	64	95
	30	18,979	915	37,389

A21 Income from Islamic banking business

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	609,627	562,356	1,209,527	1,106,324
Income derived from investment of shareholders' funds	113,118	82,725	215,799	153,390
Income derived from investment of investment accounts	30,680	28,089	62,994	57,214
Income attributable to depositors	(437,357)	(412,610)	(862,176)	(806,372)
Income attributable to depositors on investment accounts	(18,627)	(19,209)	(40,890)	(38,972)
	297,441	241,351	585,254	471,584
Of which:				
Financing income earned on impaired financing and advances	2,796	2,838	5,498	5,219

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A22 Non-interest income

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Insurance service results	92,025	67,453	149,341	114,760
Insurance/reinsurance finance & Investment income	24,844	69,226	120,675	93,327
Fee income				
Commissions	54,774	31,056	100,315	81,898
Service charges and fees	11,114	10,536	18,110	16,633
Guarantee fees	7,596	5,139	16,241	12,952
Credit card related fees	64,122	58,756	121,444	116,436
Corporate advisory fees	1,620	1,525	4,095	2,486
Commitment fees	9,242	9,530	17,672	18,742
Loans, advances and financing fees	13,052	11,830	25,033	22,930
Placement fees	2,086	933	3,819	3,778
Arranger fees	760	1,236	895	2,376
Unit trust fees income	10,634	11,500	21,276	23,561
Brokerage income	13,062	13,950	32,327	27,408
Other fees income	73,383	63,426	134,784	114,279
	261,445	219,417	496,011	443,479
Net income from securities				
Net realised gain/(loss) from sale of:				
- Financial assets at FVTPL	18,457	16,099	64,311	24,012
- Financial investments at FVOCI	9,997	1,506	53,384	8,785
- Derivative financial instruments	58,555	(47,039)	16,468	(29,870)
Gross dividend income from:				
- Financial assets at FVTPL	26,077	16,710	41,499	41,508
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	7,495	51,343	46,331	43,768
- Derivative financial instruments	(4,534)	(24,454)	(51,578)	(30,689)
Net realised gain on fair value changes arising from fair value hedges	2,269	1,498	4,705	3,967
Net unrealised (loss)/gain on fair value changes arising from fair value hedges	(454)	(924)	(3,619)	1,432
	117,862	14,739	171,501	62,913
Other income				
Foreign exchange gain	40,316	102,748	159,438	148,460
Rental income	3,395	3,586	6,425	7,265
Net gain on disposal of property and equipment	-	1,469	126	1,802
Other non-operating income	2,240	1,517	6,518	6,363
	45,951	109,320	172,507	163,890
Total non-interest income	542,127	480,155	1,110,035	878,369

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A22 Non-interest income (continued)

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Company				
Fees income				
Management fees and outsourcing fees	3,025	3,921	6,041	6,874
Net income from securities				
Net realised gain from sale of:				
- Financial assets at FVTPL	-	-	30	-
Gross dividend income from:				
- Financial assets at FVTPL	2,599	-	4,801	-
- Subsidiary companies	100,000	87,500	714,496	626,299
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(134)	28	(44)	28
Other income				
Other non-operating income	78	55	165	112
Total non-interest income	105,568	91,504	725,489	633,313

A23 Overhead expenses

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Personnel costs				
- Salaries, bonus and allowances	337,500	322,332	688,178	653,282
- Medical expenses	8,461	7,947	16,976	15,943
- Training and convention expenses	5,600	6,275	12,530	8,762
- Staff welfare	3,766	2,887	7,358	6,079
- Others	12,907	12,413	23,540	23,951
	368,234	351,854	748,582	708,017
Establishment costs				
- Depreciation of property and equipment	24,791	27,769	49,917	56,324
- Depreciation of right-of-use assets	12,251	11,697	23,921	24,120
- Amortisation of intangible assets	18,635	13,953	36,797	32,208
- Rental of premises	431	592	900	1,090
- Information technology expenses	65,033	54,287	129,502	118,548
- Security services	5,703	5,706	12,237	12,153
- Electricity, water and sewerage	5,584	5,676	11,270	11,543
- Hire of plant and machinery	3,930	3,670	7,331	7,342
- Others	8,409	8,279	17,621	16,012
	144,767	131,629	289,496	279,340
Marketing expenses				
- Advertisement and publicity	8,350	4,059	16,058	6,226
- Sales commission and credit card related fees	53,513	28,145	101,172	61,145
- Others	11,117	10,091	19,500	25,996
	72,980	42,295	136,730	93,367
Administration and general expenses				
- Teletransmission expenses	4,686	4,493	9,139	9,042
- Stationery and printing expenses	2,814	2,980	5,509	5,612
- Professional fees	29,406	20,404	58,211	43,182
- Insurance fees	13,261	13,672	26,189	26,068
- Stamp, postage and courier	3,823	3,683	7,510	6,868
- Credit card fees	30,263	21,877	62,085	46,475
- Travelling and transport expenses	1,274	1,139	2,334	1,954
- Registration and license fees	2,834	2,100	5,343	5,377
- Brokerage and commission	2,692	3,321	5,192	6,824
- Others	12,642	7,465	24,590	15,990
	103,695	81,134	206,102	167,392
Total overhead expenses	689,676	606,912	1,380,910	1,248,116

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A23 Overhead expense (continued)

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Company				
Personnel costs				
- Salaries, bonus and allowances	6,255	5,621	12,491	11,310
- Medical expenses	2	-	4	2
- Training and convention expenses	18	2	25	2
- Staff welfare	191	156	364	321
- Others	541	580	955	1,307
	<u>7,007</u>	<u>6,359</u>	<u>13,839</u>	<u>12,942</u>
Establishment costs				
- Depreciation of property and equipment	316	314	632	629
- Depreciation of right-of-use assets	235	235	470	470
- Amortisation of intangible assets	12	21	25	43
- Information technology expenses	91	55	189	116
- Electricity, water and sewerage	17	10	26	21
- Others	146	81	250	120
	<u>817</u>	<u>716</u>	<u>1,592</u>	<u>1,399</u>
Administration and general expenses				
- Teletransmission expenses	6	5	10	10
- Stationery and printing expenses	6	5	11	9
- Professional fees	253	245	474	496
- Management fees	532	532	1,065	1,065
- Others	138	118	248	226
	<u>935</u>	<u>905</u>	<u>1,808</u>	<u>1,806</u>
Total overhead expense	<u>8,759</u>	<u>7,980</u>	<u>17,239</u>	<u>16,147</u>

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

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Allowance for/(write-back of) impairment losses on:				
- Loans, advances and financing	64,382	73,692	127,321	83,328
- Clients' and brokers' balances	29	21	20	(12)
Impaired loans, advances and financing:				
- Written off	6,983	6,237	14,653	12,260
- Recovered from bad debt written off	(66,496)	(85,530)	(129,806)	(152,396)
	<u>4,898</u>	<u>(5,580)</u>	<u>12,188</u>	<u>(56,820)</u>

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

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Expected credit losses on:				
- Financial investments at FVOCI	(296)	(34)	(716)	173
- Financial investments at amortised cost	(6)	(3)	(3)	5
- Other receivables	(40)	(63)	(43)	83
- Cash and short-term funds	-	38	592	150
- Deposits and placements with banks and other financial institutions	(251)	42	(330)	35
	<u>(593)</u>	<u>(20)</u>	<u>(500)</u>	<u>446</u>
	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Company				
Expected credit losses on:				
- Investment in debt instruments issued by subsidiary	-	(712)	-	(1,421)

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 4.5%, 6.0% and 8.0% respectively. The Group is also required to maintain CCB of up to 2.5% of total RWA. The CCyB which ranges from 0% up to 2.5% 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 7.0%, 8.5% and 10.5% respectively.

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024
Before deducting proposed dividends								
CET 1 capital ratio	11.162%	11.685%	13.323%	13.855%	13.455%	13.621%	35.377%	39.073%
Tier 1 capital ratio	12.143%	12.653%	14.278%	14.837%	14.398%	14.591%	35.377%	39.073%
Total capital ratio	14.020%	14.517%	16.244%	16.828%	16.291%	16.515%	44.467%	48.419%
After deducting proposed dividends								
CET 1 capital ratio	11.033%	11.450%	12.995%	13.336%	13.030%	12.950%	35.377%	35.814%
Tier 1 capital ratio	12.014%	12.418%	13.950%	14.318%	13.973%	13.920%	35.377%	35.814%
Total capital ratio	13.891%	14.283%	15.915%	16.309%	15.866%	15.844%	44.467%	45.160%

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	26,066,542	25,613,683	28,157,672	27,674,882	17,391,133	17,137,424	264,671	301,631
Other reserves	768,856	1,177,363	740,922	1,337,201	288,656	255,247	(2,435)	(526)
Qualifying non-controlling interests	8,585,298	8,414,086	-	-	-	-	-	-
Less: Treasury shares	(230,177)	(230,177)	(701,750)	(702,674)	(701,750)	(702,674)	-	-
Less: Other intangible assets	(351,739)	(359,304)	(344,693)	(353,477)	(314,059)	(318,725)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(35,037)	(33,766)
Less: Deferred tax assets	(313,816)	(340,906)	(241,201)	(262,116)	(173,692)	(187,679)	(70,564)	(76,877)
Less: Investment in subsidiary companies/ associated companies	(14,698,374)	(13,774,895)	(9,830,387)	(9,639,404)	(3,933,643)	(3,939,693)	(200)	(200)
Total CET 1 capital	19,747,311	20,420,571	23,688,314	23,962,163	18,524,161	18,211,416	409,385	443,212

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	-	-	1,698,374	1,698,110	1,698,374	1,698,110	-	-
Qualifying CET 1 and Additional Tier 1 capital instruments held by third parties	1,735,903	1,691,442	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,735,903	1,691,442	1,698,374	1,698,110	1,698,374	1,698,110	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,735,903	1,691,442	1,698,374	1,698,110	1,298,374	1,298,110	-	-
Total Tier 1 capital	21,483,214	22,112,013	25,386,688	25,660,273	19,822,535	19,509,526	409,385	443,212
Tier 2 capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,979,414	1,953,184	1,996,656	1,946,326	1,508,368	1,474,029	5,193	6,015
Subordinated obligations	-	-	1,497,889	1,497,635	1,497,889	1,497,635	100,000	100,000
Qualifying non-controlling interests	1,341,617	1,305,044	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	3,321,031	3,258,228	3,494,545	3,443,961	2,606,257	2,571,664	105,193	106,015
Total capital	24,804,245	25,370,241	28,881,233	29,104,234	22,428,792	22,081,190	514,578	549,227

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A26 Capital adequacy (continued)

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

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024	31 December 2024	30 June 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk [Note]	158,353,132	156,388,827	159,732,510	155,706,094	120,669,427	117,922,342	415,411	481,209
Market risk	7,348,029	7,460,818	7,257,001	6,756,645	8,399,198	7,391,831	448,730	354,403
Operational risk	11,222,152	10,911,176	10,807,534	10,486,074	8,610,920	8,390,596	293,083	298,716
Total RWA	176,923,313	174,760,821	177,797,045	172,948,813	137,679,545	133,704,769	1,157,224	1,134,328

Note:

In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,301,930,000 (30 June 2024: RM1,540,749,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	31 December 2024	30 June 2024
Before deducting proposed dividends		
CET 1 capital ratio	11.556%	11.540%
Tier 1 capital ratio	12.592%	12.643%
Total capital ratio	14.772%	14.908%
After deducting proposed dividends		
CET 1 capital ratio	11.556%	11.540%
Tier 1 capital ratio	12.592%	12.643%
Total capital ratio	14.772%	14.908%

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A27 Material events subsequent to the end of the financial period

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

A28 Changes in composition of the Group

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

A29 Related party transactions

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

A30 Commitments and contingencies

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

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

	The Group	
	31 December	30 June
	2024	2024
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	237,101	237,994
Certain transaction related contingent items	3,356,278	3,065,445
Short-term self liquidating trade related contingencies	1,307,578	1,135,592
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	875,602	868,108
Irrevocable commitments to extend credit:		
- maturity more than one year	17,773,977	16,125,330
- maturity less than one year	29,553,681	26,687,509
Unutilised credit card lines	7,764,952	7,322,809
	60,869,169	55,442,787
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- less than one year	88,301,441	85,997,627
- one year to five years	5,108,424	7,228,599
- over five years	680,354	725,481
Interest rate related contracts:		
- less than one year	78,839,164	48,316,035
- one year to five years	135,029,177	118,151,949
- over five years	5,079,134	4,232,730
Equity related contracts:		
- less than one year	302,030	495,443
- one year to five years	1,116,815	1,045,424
Credit related contracts:		
- less than one year	278,929	142,845
- one year to less than five years	13,896	15,150
- over five years	1,509,162	1,435,804
Commodity related contracts:		
- less than one year	20,451	57,292
	316,278,977	267,844,379
	377,148,146	323,287,166

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A31 Fair value of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

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

Valuation techniques

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

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

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

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

	Fair value			
The Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2024				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	16,846,167	-	16,846,167
- Quoted securities	10,118,968	-	-	10,118,968
- Unquoted securities	-	8,308,361	429,906	8,738,267
Financial investments at FVOCI				
- Money market instruments	-	20,596,912	-	20,596,912
- Quoted securities	4,229,386	-	-	4,229,386
- Unquoted securities	-	11,296,185	116,797	11,412,982
Derivative financial instruments	9,558	1,778,899	76,397	1,864,854
	14,357,912	58,826,524	623,100	73,807,536

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A31 Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

The Group	Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 December 2024				
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments	4,528	1,949,108	71,585	2,025,221
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	6,839,238	-	6,839,238
	<u>4,528</u>	<u>8,788,346</u>	<u>71,585</u>	<u>8,864,459</u>
30 June 2024				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	15,026,333	-	15,026,333
- Quoted securities	8,421,746	-	-	8,421,746
- Unquoted securities	-	7,946,085	429,906	8,375,991
Financial investments at FVOCI				
- Money market instruments	-	25,669,320	-	25,669,320
- Quoted securities	5,553,347	-	-	5,553,347
- Unquoted securities	-	11,802,590	116,797	11,919,387
Derivative financial instruments	2,690	1,312,447	74,763	1,389,900
	<u>13,977,783</u>	<u>61,756,775</u>	<u>621,466</u>	<u>76,356,024</u>
<u>Financial liabilities</u>				
Derivative financial instruments	11,409	1,740,667	81,155	1,833,231
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	5,550,409	-	5,550,409
	<u>11,409</u>	<u>7,291,076</u>	<u>81,155</u>	<u>7,383,640</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period/year 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 2024: RM Nil).

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A31 Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Financial assets			Financial liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group				
At 1 July 2024	429,906	116,797	74,763	81,155
Fair value changes recognised in statements of income	-	-	436,521	537,609
Purchases	-	-	10,621	7,240
Settlements	-	-	(445,508)	(554,419)
At 31 December 2024	429,906	116,797	76,397	71,585
Fair value changes recognised in statements of income relating to assets held on 31 December 2024	-	-	436,521	436,521
At 1 July 2023	393,370	97,650	74,354	71,839
Fair value changes recognised in statements of income	36,536	-	(2,207)	(2,207)
Net fair value changes recognised in other comprehensive income	-	19,147	-	-
Purchases	-	-	38,360	39,324
Settlements	-	-	(35,744)	(27,801)
At 30 June 2024	429,906	116,797	74,763	81,155
Fair value changes recognised in statements of income relating to assets held on 30 June 2024	36,536	-	(2,207)	(2,207)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2024	-	19,147	-	-

A32 Reclassification for comparatives

The comparative balances under non-interest income relating to insurance/reinsurance investment/finance income at the Group are reclassified to taxation, to conform with current year presentation, as follow:

Statements of Income

	2nd Quarter Ended 31 December 2023			Six Months Ended 31 December 2023		
	As previously stated RM'000	Reclassification RM'000	As restated RM'000	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Non-interest income	444,440	35,715	480,155	831,704	46,665	878,369
Taxation	(284,970)	(35,715)	(320,685)	(522,322)	(46,665)	(568,987)

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 RM1,575.4 million for the current quarter ended 31 December 2024 as compared to RM1,566.1 million in the previous corresponding quarter, an increase of RM9.3 million or 0.6%. The increase was due to higher contribution from banking division.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM1,400.6 million for the current quarter ended 31 December 2024 as compared to RM1,341.0 million in the previous corresponding quarter, an increase of RM59.6 million or 4.4%. Revenue surged by RM167.3 million or 11.4% driven primarily by a rise in net interest income and non-interest income. This was offset by higher operating expenses by RM49.9 million or 8.6%, lower share of profit from associated company by RM48.0 million and higher allowance for impairment losses by RM9.9 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM156.0 million for the current quarter ended 31 December 2024 as compared to RM207.5 million in the previous corresponding quarter, a decrease of RM51.5 million or 24.8%. The decrease was mainly due to lower investment income of RM187.9 million and lower share of profit from associated company of RM7.7 million. This was mitigated by higher insurance/reinsurance finance income & others of RM124.6 million and higher insurance service income of RM19.5 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM19.4 million for the current quarter ended 31 December 2024, remained stable as compared to the previous corresponding quarter with a marginal decrease of 0.3%. The decrease was mainly due to lower contribution from fund management & unit trust management and investment holding divisions.

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

HLFG Group recorded a profit before tax of RM3,162.7 million for the current period ended 31 December 2024 as compared to RM2,929.5 million in the previous corresponding period, an increase of RM233.2 million or 8.0%. The increase was due to higher contribution from banking and insurance divisions.

Hong Leong Bank Berhad ("HLB") recorded a profit before tax of RM2,740.0 million for the current period ended 31 December 2024 as compared to RM2,584.1 million in the previous corresponding period, an increase of RM155.9 million or 6.0%. Revenue surged by RM371.1 million or 13.0% driven primarily by a rise in net interest income and non-interest income. This was offset by higher operating expenses by RM119.1 million or 10.5%, lower share of profit from associated company by RM27.9 million and higher allowance for impairment losses by RM68.2 million.

HLA Holdings Sdn Bhd ("HLAH") recorded a profit before tax of RM393.5 million for the current period ended 31 December 2024 as compared to RM305.5 million in the previous corresponding period, an increase of RM88.0 million or 28.8%. The increase was mainly due to higher investment income of RM155.0 million and higher insurance service income of RM82.5 million. This was offset by higher insurance/reinsurance finance expenses & others of RM138.0 million and lower share of profit from associated company of RM11.5 million.

Hong Leong Capital Berhad ("HLCB") recorded a profit before tax of RM41.2 million for the current period ended 31 December 2024 as compared to RM46.9 million in the previous corresponding period, a decrease of RM5.7 million or 12.1%. The decrease was mainly due to lower contribution from fund management & unit trust management and investment holding divisions.

B2 Current quarter against preceding quarter

HLFG Group recorded a profit before tax of RM1,575.4 million for the current quarter ended 31 December 2024 as compared to RM1,587.3 million in the preceding quarter, a decrease of RM11.8 million or 0.7%. The decrease was due to lower contribution from insurance divisions and investment banking.

HLB recorded a profit before tax of RM1,400.6 million for the current quarter ended 31 December 2024 as compared to RM1,339.4 million in the preceding quarter, an increase of RM61.2 million or 4.6%. The increase was mainly due to higher revenue of RM34.2 million driven by higher non-interest income, higher share of profit from associated company by RM25.6 million and lower allowance for impairment losses by RM3.4 million. This was offset by higher operating expenses by RM2.0 million.

HLAH recorded a profit before tax of RM156.0 million for the current quarter ended 31 December 2024 as compared to RM237.4 million in the preceding quarter, a decrease of RM81.4 million or 34.3%. The decrease was mainly due to lower investment income of RM317.1 million and lower share of profit from associated company of RM5.2 million. This was mitigated by higher insurance/reinsurance finance income & others of RM215.4 million and higher insurance service income of RM25.6 million.

HLCB recorded a profit before tax of RM19.4 million for the current quarter ended 31 December 2024 as compared to RM21.8 million in the preceding quarter, a decrease of RM2.4 million or 11.0%. The decrease was mainly due to lower contribution from investment banking and stockbroking divisions.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities**B3 Prospects for the current financial year**

The global economic outlook is a mix of cautious optimism and uncertainty following the political shifts in the United States ("U.S."), which could potentially introduce changes to fiscal, trade, and foreign policies that may impact global trade and geo-political dynamics. This could potentially lead to heightened trade tensions, inflationary pressures and tighter global financial conditions. Nevertheless, International Monetary Fund has forecasted the global economy to grow by 3.3% in 2025, driven by resilience of the U.S. economy and expansion from emerging markets in Asia.

Malaysia's growth prospects remain positive with a projected GDP expansion of 4.5% to 5.5% in 2025, driven by domestic consumption, export recovery, and increased investment activity. However, the outlook is subject to downside risks from potential spillover effects arising from changes in U.S. trade policies and domestic inflationary pressures in view of further subsidy rationalisation. On the monetary policy front, the OPR remains conducive to supporting Malaysia's economy barring any unforeseen circumstances.

Moving into the second half of FY2025, Hong Leong Financial Group remains focused on improving our business and financial performance as we continue to expand our suite of products and deliver customer-centric solutions to meet the financial services needs of our customers. Nevertheless, cognisant of external uncertainties and downside risks, the Group will continue emphasising cost discipline and sound asset quality management while maintaining its robust capital and liquidity position to support asset growth.

B4 Variance in profit forecast and shortfall in profit guarantee

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

B5 Taxation

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Group	RM'000	RM'000	RM'000	RM'000
Income tax	287,997	267,203	561,852	504,063
Under/(over) provision in prior year	-	(69,271)	8	(71,253)
	<u>287,997</u>	<u>197,932</u>	<u>561,860</u>	<u>432,810</u>
Deferred taxation	23,416	122,753	67,682	136,177
	<u>311,413</u>	<u>320,685</u>	<u>629,542</u>	<u>568,987</u>

	2nd Quarter Ended		Six Months Ended	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
The Company	RM'000	RM'000	RM'000	RM'000
Income tax	308	128	513	213
Deferred taxation	(95)	(32)	(78)	(73)
	<u>213</u>	<u>96</u>	<u>435</u>	<u>140</u>

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

B6 Status of corporate proposals

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

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

B7 Borrowings

	Note	The Group		The Company	
		31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000
Unsecured					
Senior notes	(a)	-	201,950	-	201,991
Medium term notes	(b)	806,539	301,020	-	-
Commercial papers	(c)	233,374	248,892	-	-
		1,039,913	751,862	-	201,991

Note:

(a) On 23 August 2021, the Company issued an unsecured RM200.0 million in aggregate principal amount of new Senior Notes ("the new Notes") out of its multi-currency perpetual notes programme. The new Notes were issued for a period of 3 years with a coupon rate of 2.85% per annum. On 23 August 2024, the Company had fully redeemed the RM200.0 million nominal value of the Senior Notes.

(b) On 3 November 2023, HLB issued its first tranche of RM100.0 million nominal value of medium term notes ("Senior MTN") out of its RM10.0 billion Multi-currency Medium Term Notes Programme ("Senior MTN Programme"). The coupon rate for this first tranche of the Senior MTN is 4.07% per annum, which is payable semi-annually in arrears from the date of the issue. The tenure for this Senior MTN is 3 years. The proceeds from the issuance shall be utilised for the HLB's working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB.

On 3 November 2023, HLISB, a wholly owned subsidiary of HLB, issued its first tranche of RM200.0 million nominal value of Islamic medium term notes (Senior IMTN) out of its RM5.0 billion Multi-currency Islamic Medium Term Notes programme (Senior IMTN Programme). The coupon rate for this first tranche of the Senior IMTN is 4.07% per annum, which is payable semi-annually in arrears from the date of the issue. The tenure for this Senior IMTN is 3 years. The proceeds from the issuance shall be utilised for the HLISB's working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing Islamic financing obligations of HLISB.

On 30 September 2024, HLB issued its second tranche of RM500.0 million nominal value of green medium term notes ("Green Senior MTN") out of its RM10.0 billion Senior MTN Programme. The coupon rate for this second tranche of the Green Senior MTN is 3.80% per annum, which is payable semi-annually in arrears from the date of the issue. The tenure for this Senior MTN is 5 years.

(c) On 12 January 2024, HLB issued its first tranche of RM5.0 million nominal value of commercial paper ("Senior CP") out of its RM10.0 billion Multi-currency Commercial Paper Programme ("Senior CP Programme"). The tenure for this Senior CP is 6 months, which was issued at a discount of 3.66% per annum. The proceeds from the issuance shall be utilised for HLB's working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB. On 12 July 2024, HLB had fully redeemed the RM5.0 million nominal value of this Senior CP.

On 9 May 2024, HLB issued its third tranche of RM240.0 million nominal value of Senior CP out of its RM10.0 billion Multi-currency Senior CP Programme. The tenure for this Senior CP is 3 months, which was issued at a discount of 3.49% per annum. The proceeds from the issuance shall be utilised for HLB's working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB. On 9 August 2024, HLB had fully redeemed the RM240.0 million nominal value of this Senior CP.

On 12 January 2024, HLISB issued its first tranche of RM5.0 million nominal value of Islamic commercial paper ("Senior ICP") out of its RM5.0 billion Multi-currency Islamic Commercial Paper Programme ("Senior ICP Programme") based on the Shariah principle of Wakalah Bi Al-Istithmar. The tenure for this Senior ICP is 6 months, which was issued at a discount of 3.65% per annum. On 12 July 2024, HLISB had fully redeemed the RM5.0 million nominal value of this Senior ICP. On 12 July 2024, HLISB had fully redeemed the RM5.0 million nominal value of this Senior ICP.

On 25 July 2024, HLB issued its fourth tranche of RM234.0 million nominal value of Senior CP out of its RM10.0 billion Multi-currency Senior CP Programme. The tenure for this Senior CP is 6 months, which was issued at a discount of 3.54% per annum. The proceeds from the issuance shall be utilised for the HLB working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB.

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

B8 Subordinated obligations

	Note	The Group		The Company	
		31 December 2024 RM'000	30 June 2024 RM'000	31 December 2024 RM'000	30 June 2024 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,713	4,679	-	-
		604,713	604,679	-	-
RM1.6 billion Tier 2 subordinated notes, at par	(b)	1,600,000	1,600,000	-	-
Add: Interest payable		3,292	3,113	-	-
		1,603,292	1,603,113	-	-
Less: Unamortised discounts		(2,384)	(2,624)	-	-
		1,600,908	1,600,489	-	-
		2,205,621	2,205,168	-	-

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 the Company, 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 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.

On 11 June 2024, HLB issued an unsecured RM1.0 billion 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 4.05% per annum with a tenure of 10 years non-callable 5 years.

On 13 June 2024, Hong Leong Investment Bank Berhad ("HLIB") issued an unsecured RM100.0 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 4.11% per annum with a tenure of 10 years non-callable 5 years.

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

B9 Multi-currency Additional Tier 1 capital securities

	The Group		The Company	
	31 December	30 June	31 December	30 June
	2024	2024	2024	2024
	RM'000	RM'000	RM'000	RM'000
Multi-currency Additional Tier 1 capital securities, at par	1,700,000	1,700,000	-	-
Add: Interest payable	15,656	15,443	-	-
	<u>1,715,656</u>	<u>1,715,443</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts	(1,626)	(1,890)	-	-
Add: Fair value changes arising from fair value hedges	513	5,118	-	-
	<u>1,714,543</u>	<u>1,718,671</u>	<u>-</u>	<u>-</u>

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.

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

On 25 March 2024, HLB issued a nominal value of RM400.0 million Additional Tier1 capital securities ("Capital Securities"), out to its multi-currency Additional Tier 1 capital securities programme. The Capital Securities carry a distribution rate of 4.25% per annum are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5.

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

B10 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2024

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	71,721,125	697,097	(713,660)
(ii) 1 year to 3 years	1,307,244	174	(28,956)
(iii) More than 3 years	1,027,985	18	(31,374)
- Swaps			
(i) Less than 1 year	10,796,219	139,778	(136,899)
(ii) 1 year to 3 years	1,801,808	34,100	(50,648)
(iii) More than 3 years	1,651,741	81,738	(14,313)
- Options			
(i) Less than 1 year	5,784,097	51,171	(53,828)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	24,169,659	11,806	(5,166)
(ii) 1 year to 3 years	2,640,000	7,267	(7,276)
(iii) More than 3 years	2,210,500	4,520	(8,847)
- Swaps			
(i) Less than 1 year	54,669,505	36,945	(34,800)
(ii) 1 year to 3 years	76,142,103	308,184	(393,672)
(iii) More than 3 years	59,115,708	306,010	(364,562)
Equity related contracts			
(i) Less than 1 year	302,030	14,803	(15,514)
(ii) 1 year to 3 years	682,011	36,310	(30,806)
(iii) More than 3 years	434,804	25,231	(25,231)
Credit related contracts			
(i) Less than 1 year	278,929	9,381	(9,381)
(ii) More than 3 years	1,523,058	99,962	(99,962)
Commodity related contracts			
(i) Less than 1 year	20,451	359	(326)
Total	316,278,977	1,864,854	(2,025,221)

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 2024

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	65,932,452	193,177	(369,019)
(ii) 1 year to 3 years	1,559,477	41,548	(584)
(iii) More than 3 years	1,231,790	21,371	(902)
- Swaps			
(i) Less than 1 year	11,566,735	125,738	(171,615)
(ii) 1 year to 3 years	3,322,891	26,369	(170,021)
(iii) More than 3 years	1,839,922	108,103	(98,157)
- Options			
(i) Less than 1 year	8,498,440	14,737	(15,378)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	8,368,842	6,258	(13,076)
(ii) 1 year to 3 years	1,487,000	5,791	(2,903)
(iii) More than 3 years	2,218,000	6,193	(9,985)
- Swaps			
(i) Less than 1 year	39,947,193	37,570	(34,697)
(ii) 1 year to 3 years	56,619,764	234,477	(242,859)
(iii) More than 3 years	62,059,915	372,089	(501,252)
Equity related contracts			
(i) Less than 1 year	495,443	10,199	(17,974)
(ii) 1 year to 3 years	148,470	7,633	(6,249)
(iii) More than 3 years	896,954	56,862	(56,862)
Credit related contracts			
(i) Less than 1 year	142,845	3,666	(3,666)
(ii) More than 3 years	1,450,954	116,508	(116,508)
Commodity related contracts			
(i) Less than 1 year	57,292	1,611	(1,524)
Total	267,844,379	1,389,900	(1,833,231)

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 year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM397,159,000 (30 June 2024: RM453,288,000) and RM218,997,726,000 (30 June 2024: RM169,376,326,000) respectively.

Derivatives

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

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

B10 Off-balance sheet financial instruments (continued)

Credit risk

Derivatives

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts was RM1,979,914,000 (30 June 2024: RM1,487,106,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

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

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

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

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

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

B10 Off-balance sheet financial instruments (continued)

Related accounting policies (continued)

Cash flow hedge

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

B11 Material litigation

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

B12 Dividend declared

A single-tier interim dividend of 20.0 sen per share has been declared by the Company for the current quarter.

- (i) Amount per share: 20.0 sen per share
- (ii) Previous corresponding period: 18.0 sen per share
- (iii) Entitlement date: 13 March 2025
- (iv) Payment date: 27 March 2025

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 in issue during the financial period/year, excluding the treasury shares.

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Group				
Net profit attributable to equity holders	839,457	831,866	1,687,129	1,573,511
Weighted average number of ordinary shares ('000)	1,134,258	1,134,156	1,134,258	1,134,129
Basic earnings per share (sen)	74.0	73.3	148.7	138.7

	2nd Quarter Ended		Six Months Ended	
	31 December 2024 RM'000	31 December 2023 RM'000	31 December 2024 RM'000	31 December 2023 RM'000
The Company				
Net profit attributable to equity holders	97,427	83,505	708,853	616,666
Weighted average number of ordinary shares ('000)	1,138,350	1,138,248	1,138,350	1,138,221
Basic earnings per share (sen)	8.6	7.3	62.3	54.2

(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. As a result, the diluted earnings per share was equal to basic earnings per share for the current and previous financial year.

Dated this 26 February 2025