

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.03.2023	30.06.2022	31.03.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		118,065	251,447	117,814	251,259
Deposits and placements with banks and other financial institutions		-	100,021	-	100,021
Financial assets at fair value through profit or loss ("FVTPL")	8	279,363	26,496	279,161	26,297
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,583,723	1,256,640	1,583,723	1,256,640
Financial investments at amortised cost	10	1,080,901	1,250,442	1,080,901	1,250,442
Derivative financial assets	17	47,768	38,393	47,768	38,393
Loans and advances	11	345,775	393,720	345,775	393,720
Clients' and brokers' balances	12	157,337	103,077	157,337	103,077
Other assets	13	51,542	32,173	51,534	32,145
Statutory deposits with Bank Negara Malaysia		41,000	-	41,000	-
Investment in subsidiaries		-	-	200	200
Deferred tax assets		97,350	110,559	97,350	110,559
Property and equipment	14	5,209	7,623	5,209	7,623
Right-of-use ("ROU") assets		12,592	14,589	12,592	14,589
Intangible assets - computer software		5,465	4,652	5,465	4,652
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,855,076	3,618,818	3,854,815	3,618,603
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	489,414	759,636	489,414	759,636
Deposits and placements of banks and other financial institutions	16	2,432,806	1,907,235	2,432,806	1,907,235
Derivative financial liabilities	17	27,146	26,705	27,146	26,705
Clients' and brokers' balances		182,118	76,502	182,118	76,502
Lease liabilities		12,080	13,901	12,080	13,901
Other liabilities	18	73,887	201,169	73,966	201,244
Subordinated obligations	19	101,249	100,193	101,249	100,193
TOTAL LIABILITIES		3,318,700	3,085,341	3,318,779	3,085,416
EQUITY					
Share capital		252,950	252,950	252,950	252,950
Reserves		283,426	280,527	283,086	280,237
TOTAL EQUITY		536,376	533,477	536,036	533,187
TOTAL EQUITY AND LIABILITIES		3,855,076	3,618,818	3,854,815	3,618,603
COMMITMENTS AND CONTINGENCIES					
	27	7,636,873	5,967,639	7,636,873	5,967,639
Net assets per ordinary share (RM)		3.25	3.23	3.25	3.23

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year	Current	Last
		quarter ended	quarter ended	year to date	year to date
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	34,244	26,766	96,298	80,958
Interest income for financial assets at FVTPL	20b	6,660	5,217	16,966	18,833
Interest expense	21	(27,506)	(19,176)	(73,584)	(63,592)
Net interest income		13,398	12,807	39,680	36,199
Non-interest income	22	25,244	27,590	72,201	90,169
Net income		38,642	40,397	111,881	126,368
Overhead expenses	23	(26,594)	(20,284)	(75,442)	(66,732)
Operating profit before allowances		12,048	20,113	36,439	59,636
Write-back of/(allowance for) impairment losses on loans and advances	24	8	(55)	58	147
(Allowance for)/write-back of impairment losses on financial investments and other other financial assets	25	(55)	166	(302)	363
Profit before taxation		12,001	20,224	36,195	60,146
Taxation		(2,880)	(4,869)	(8,691)	(14,408)
Net profit for the financial period		9,121	15,355	27,504	45,738
Earnings per share (sen)					
- Basic		5.5	9.3	16.7	27.7
- Diluted		5.5	9.3	16.7	27.7

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

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
31.03.2023	31.03.2022	31.03.2023	31.03.2022	
RM'000	RM'000	RM'000	RM'000	
Net profit for the financial period	9,121	15,355	27,504	45,738
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	11,888	(7,567)	18,887	(24,000)
- Net changes in expected credit losses	(8)	15	(19)	(9)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,853)	1,816	(4,533)	5,760
Other comprehensive income/(expense) for the financial period, net of tax	9,027	(5,736)	14,335	(18,249)
Total comprehensive income for the financial period, net of tax	18,148	9,619	41,839	27,489

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

HONG LEONG INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year	Current	Last
		quarter ended	quarter ended	year to date	year to date
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	34,219	26,753	96,222	80,903
Interest income for financial assets at FVTPL	20b	6,660	5,217	16,966	18,833
Interest expense	21	(27,506)	(19,176)	(73,584)	(63,592)
Net interest income		13,373	12,794	39,604	36,144
Non-interest income	22	25,306	27,542	72,202	90,024
Net income		38,679	40,336	111,806	126,168
Overhead expenses	23	(26,653)	(20,252)	(75,432)	(66,617)
Operating profit before allowances		12,026	20,084	36,374	59,551
Write-back of/(allowance for) impairment losses on loans and advances	24	8	(55)	58	147
(Allowance for)/write-back of impairment losses on financial investments and other other financial assets	25	(55)	166	(302)	363
Profit before taxation		11,979	20,195	36,130	60,061
Taxation		(2,880)	(4,869)	(8,676)	(14,408)
Net profit for the financial period		9,099	15,326	27,454	45,653
Earnings per share (sen)					
- Basic		5.5	9.3	16.6	27.7
- Diluted		5.5	9.3	16.6	27.7

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

HONG LEONG INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	9,099	15,326	27,454	45,653
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	11,888	(7,567)	18,887	(24,000)
- Net changes in expected credit losses	(8)	15	(19)	(9)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,853)	1,816	(4,533)	5,760
Other comprehensive income/(expense) for the financial period, net of tax	9,027	(5,736)	14,335	(18,249)
Total comprehensive income for the financial period, net of tax	18,126	9,590	41,789	27,404

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

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<u>Attributable to owner of the parent</u>				Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<u>The Group</u>					
At 1 July 2022	252,950	12,148	(19,792)	288,171	533,477
Net profit for the financial period	-	-	-	27,504	27,504
Other comprehensive income, net of tax	-	-	14,335	-	14,335
Total comprehensive income for the financial period	-	-	14,335	27,504	41,839
Transfer to regulatory reserve	-	1,361	-	(1,361)	-
Dividend paid	-	-	-	(38,940)	(38,940)
At 31 March 2023	252,950	13,509	(5,457)	275,374	536,376
At 1 July 2021	252,950	13,149	3,364	389,554	659,017
Net profit for the financial period	-	-	-	45,738	45,738
Other comprehensive expense, net of tax	-	-	(18,249)	-	(18,249)
Total comprehensive (expense)/income for the financial period	-	-	(18,249)	45,738	27,489
Transfer to regulatory reserve	-	1,547	-	(1,547)	-
Dividend paid	-	-	-	(156,750)	(156,750)
At 31 March 2022	252,950	14,696	(14,885)	276,995	529,756

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

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**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	Non-distributable			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
<u>The Bank</u>					
At 1 July 2022	252,950	12,148	(19,792)	287,881	533,187
Net profit for the financial period	-	-	-	27,454	27,454
Other comprehensive income, net of tax	-	-	14,335	-	14,335
Total comprehensive income for the financial period	-	-	14,335	27,454	41,789
Transfer to regulatory reserve	-	1,361	-	(1,361)	-
Dividend paid	-	-	-	(38,940)	(38,940)
At 31 March 2023	252,950	13,509	(5,457)	275,034	536,036
At 1 July 2021	252,950	13,149	3,364	389,376	658,839
Net profit for the financial period	-	-	-	45,653	45,653
Other comprehensive expense, net of tax	-	-	(18,249)	-	(18,249)
Total comprehensive (expense)/income for the financial period	-	-	(18,249)	45,653	27,404
Transfer to regulatory reserve	-	1,547	-	(1,547)	-
Dividend paid	-	-	-	(156,750)	(156,750)
At 31 March 2022	252,950	14,696	(14,885)	276,732	529,493

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

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	The Group		The Bank	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	36,195	60,146	36,130	60,061
Adjustments for non-cash items	(67,876)	(54,836)	(67,873)	(54,834)
Operating (loss)/profit before changes in working capital	(31,681)	5,310	(31,743)	5,227
Changes in working capital:				
Net changes in operating assets	(318,258)	85,808	(318,269)	85,821
Net changes in operating liabilities	233,736	285,525	233,740	285,269
Net income tax paid	(10)	(19)	-	-
Net cash (used in)/generated from operating activities	(116,213)	376,624	(116,272)	376,317
Net cash used in investing activities	(73,219)	(125,215)	(73,223)	(125,217)
Net cash used in financing activities	(43,971)	(161,771)	(43,971)	(161,771)
Net changes in cash and cash equivalents	(233,403)	89,638	(233,466)	89,329
Cash and cash equivalents at beginning of financial period	351,468	149,490	351,280	147,658
Cash and cash equivalents at end of financial period	118,065	239,128	117,814	236,987
Cash and cash equivalents comprise:				
Cash and short term funds	118,065	239,128	117,814	236,987

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

EXPLANATORY NOTES

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2023 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2022. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 30 June 2022.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2022 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2022:

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

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

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 period. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. Audit report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or cyclicity of operations

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

4. Items affecting net income and cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 March 2023.

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EXPLANATORY NOTES

5. Changes in estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 31 March 2023.

6. Issuance and repayments

There were no other new shares issuance, no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2023.

7. Dividends

There were no dividends paid during the financial quarter ended 31 March 2023.

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

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	91,578	-	91,578	-
Malaysian Government Investment Issues	141,594	-	141,594	-
	233,172	-	233,172	-
Quoted securities				
In Malaysia:				
Shares	45,989	6,554	45,989	6,554
Unit trust investment	202	199	-	-
	46,191	6,753	45,989	6,554
Unquoted securities				
Corporate bond and/or sukuk	-	19,743	-	19,743
	279,363	26,496	279,161	26,297

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EXPLANATORY NOTES

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

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	214,578	120,972
Malaysian Government Investment Issues	296,846	242,625
Cagamas bonds	84,937	69,603
	596,361	433,200
Unquoted securities		
Foreign currency bonds	69,283	70,227
Corporate bond and/or sukuk	918,079	753,213
	987,362	823,440
	1,583,723	1,256,640

Movements in expected credit losses of debt instruments at FVOCI are as follows:-

	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
The Group and the Bank				
At 1 July 2022	158	-	-	158
Allowances made	3	-	-	3
Amount written back	(14)	-	-	(14)
New financial assets originated or purchased	10	-	-	10
Financial assets derecognised	(18)	-	-	(18)
At 31 March 2023	139	-	-	139
At 1 July 2021	372	-	-	372
Allowances made	15	-	-	15
Amount written back	(18)	-	-	(18)
New financial assets originated or purchased	59	-	-	59
Financial assets derecognised	(261)	-	-	(261)
Exchange differences	(9)	-	-	(9)
At 30 June 2022	158	-	-	158

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EXPLANATORY NOTES

10. Financial investments at amortised cost

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	613,353	626,305
Malaysian Government Investment Issues	428,046	585,104
	1,041,399	1,211,409
Unquoted securities		
Corporate bond and/or sukuk	39,502	39,033
Less: Expected credit losses	-	-
	1,080,901	1,250,442

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

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2021	12	-	-	12
Financial assets derecognised	(12)			(12)
At 30 June 2022	-	-	-	-

11. Loans and advances

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Term loan financing	38,938	64,536
Share margin financing	306,978	329,373
Staff loans	24	30
Other loans	124	128
Gross loans and advances	346,064	394,067
Less: Expected credit losses	(289)	(347)
Total net loans and advances	345,775	393,720

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
(i) Gross loans and advances disbursed by type of customers		
Domestic non-bank financial institutions		
- Others	29,552	30,060
Domestic business enterprises		
- Small and medium enterprises	52,377	60,626
- Others	54,914	77,956
Individuals	203,662	222,711
Foreign entities	5,559	2,714
	346,064	394,067
(ii) Gross loans and advances analysed by interest rate sensitivity		
Variable rate	345,916	393,909
Fixed rate		
- Staff housing loans	24	30
- Other fixed rate loans	124	128
	346,064	394,067
(iii) Gross loans and advances analysed by residual contractual maturity		
Maturing within one year	307,068	352,548
One year to three years	33,638	36,121
Three years to five years	5,234	-
Over five years	124	5,398
	346,064	394,067
(iv) Loans and advances analysed by their economic purposes		
Working capital	5,238	28,277
Purchase of securities	311,125	335,572
Purchase of landed properties	148	158
Others	29,553	30,060
	346,064	394,067
(v) Gross loans and advances analysed by geographical distribution		
Malaysia	346,064	394,067
(vi) Impaired loans and advances		
(a) Movements in impaired loans and advances		
At 1 July	128	265
Impaired during the financial year	4	12
Amount written-back during the financial period/year	(8)	(87)
Amount written-off during the financial period/year	-	(62)
At 31 March/30 June	124	128

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
(vi) Impaired loans and advances (continued)		
(b) By economic purposes		
Purchase of landed properties	124	128

(vii) Movements in expected credit losses:

	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
The Group and the Bank				
At 1 July 2022	310	37	-	347
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(14)	14	-	-
New financial assets originated	5	-	-	5
Financial assets derecognised	(3)	-	-	(3)
Allowance made	39	3	-	42
Allowance written-back	(89)	(13)	-	(102)
At 31 March 2023	266	23	-	289
At 1 July 2021	263	194	126	583
Transferred to Stage 1	144	(29)	(115)	-
Transferred to Stage 2	(22)	22	-	-
New financial assets originated	11	10	-	21
Financial assets derecognised	(4)	-	(80)	(84)
Allowance made	188	-	115	303
Allowance written-back	(270)	(160)	-	(430)
Allowance written-off	-	-	(46)	(46)
At 30 June 2022	310	37	-	347

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EXPLANATORY NOTES

12. Clients' and brokers' balances

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Performing accounts	155,601	101,214
Impaired accounts	2,724	2,861
	158,325	104,075
Less: Expected credit losses	(988)	(998)
	157,337	103,077

13. Other assets

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	9	14	-	-
Amount due from holding company	157	130	157	130
Amount due from subsidiary companies	-	-	1	-
Amount due from related companies	496	-	496	-
Deposits and prepayments	9,241	8,525	9,241	8,525
Fee income receivables	5,695	10,930	5,695	10,930
Collaterals pledged for derivative transactions	3,057	10,120	3,057	10,120
Treasury related receivables	29,711	-	29,711	-
Other receivables	5,508	4,424	5,508	4,410
	53,874	34,143	53,866	34,115
Less: Expected credit losses	(2,332)	(1,970)	(2,332)	(1,970)
	51,542	32,173	51,534	32,145

14. Valuation of property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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15. Deposits from customers

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Fixed Deposit	489,414	759,636
<p>(i) The deposits are sourced from the following customers:</p>		
Government & statutory bodies	278,612	553,869
Business enterprises	197,801	192,248
Individuals	13,001	13,519
	489,414	759,636
<p>(ii) The maturity structure of fixed deposits is as follows:</p>		
Due within:		
- six months	488,167	758,405
- six months to one year	1,247	1,231
	489,414	759,636

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
Licensed banks	646,861	264,951
Licensed investment banks	176,712	22,067
Other financial institutions	1,609,233	1,620,217
	2,432,806	1,907,235

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17. Derivative financial assets/(liabilities)

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.03.2023			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	4,100,000	26,214	(15,061)
(ii) Foreign exchange related contracts:			
- foreign currency swaps	2,378,625	21,395	(11,712)
- foreign currency forwards	168,642	98	(288)
- foreign currency spots	33,228	22	-
(iii) Equity related contracts:			
- Futures	38,189	-	(85)
- Call options	200	39	-
	6,718,884	47,768	(27,146)
30.06.2022			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	3,303,000	31,048	(16,729)
- futures	149,897	236	(1,061)
(ii) Foreign exchange related contracts:			
- foreign currency swaps	1,340,695	5,249	(8,601)
- foreign currency forwards	175,960	931	(194)
(iii) Equity related contracts:			
- Call options	200	50	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	879	(120)
	5,039,752	38,393	(26,705)

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18. Other liabilities

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Amount due to holding company	107	80	107	80
Amount due to related companies	2,096	577	2,094	574
Remisiers' trust deposits	14,261	14,605	14,261	14,605
Treasury related payables	4,984	20,317	4,984	20,317
Advance payments received for corporate exercise	8,031	65,383	8,031	65,383
Other payables and accrued liabilities	44,186	99,986	44,267	100,064
Provision for post employment benefits	222	221	222	221
	73,887	201,169	73,966	201,244

19. Subordinated obligations

	The Group and the Bank	
	31.03.2023	30.06.2022
	RM'000	RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	1,251	197
	101,251	100,197
Less: Unamortised discounts	(2)	(4)
	101,249	100,193

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

On 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

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20a. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,731	4,184	14,078	12,194
Money at call and deposit placements with financial institutions	624	108	2,175	443
Financial investments at FVOCI	11,931	10,146	34,151	30,903
Financial investments at amortised cost	8,338	8,373	24,973	25,223
Others	8,620	3,955	20,921	12,195
Total interest income	34,244	26,766	96,298	80,958

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,731	4,184	14,078	12,194
Money at call and deposit placements with financial institutions	599	95	2,099	388
Financial investments at FVOCI	11,931	10,146	34,151	30,903
Financial investments at amortised cost	8,338	8,373	24,973	25,223
Others	8,620	3,955	20,921	12,195
Total interest income	34,219	26,753	96,222	80,903

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20b. Interest income for financial assets at FVTPL

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	6,660	5,217	16,966	18,833

21. Interest expense

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	7,888	896	16,086	3,350
Deposits from customers	17,012	11,042	46,591	32,881
Derivative financial instruments	1,308	5,588	6,935	23,141
Subordinated obligations	1,043	1,044	3,177	3,177
Lease liabilities	150	162	462	511
Others	105	444	333	532
	27,506	19,176	73,584	63,592

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22. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,000	1,900	4,460	4,975
Arranger fees	50	710	416	1,473
Underwriting commissions	488	603	854	603
Placement fees	2,254	665	9,405	4,149
Brokerage income	13,293	17,244	34,080	55,793
Fees on loans and advances	743	258	753	340
Commission from future contracts	262	394	698	745
Other fee income	754	840	4,591	3,537
	18,844	22,614	55,257	71,615
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	2,671	(460)	(1,770)	(5,091)
- financial investments at FVOCI	2,072	(1,454)	2,522	766
- derivative financial instruments	(6,507)	(2,872)	14,065	11,519
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(1,279)	(1,468)	446	(1,921)
- derivative financial instruments	16,270	10,149	7,705	14,855
Dividend income from:				
- financial assets at FVTPL	292	479	1,596	1,218
Net unrealised gain/(loss) on fair value changes arising from fair value hedges				
	140	(516)	(218)	(1,666)
	13,659	3,858	24,346	19,680
<u>Other income:</u>				
Gain on disposal of property and equipment	-	-	2	-
Gain on liquidation of subsidiaries	37	-	37	-
Foreign exchange (loss)/gain	(8,586)	1,114	(11,169)	(1,146)
Other non-operating income	1,290	4	3,728	20
	(7,259)	1,118	(7,402)	(1,126)
Total non-interest income	25,244	27,590	72,201	90,169

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22. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
31.03.2023	31.03.2022	31.03.2023	31.03.2022	
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,000	1,900	4,460	4,975
Arranger fees	50	710	416	1,473
Underwriting commissions	488	603	854	603
Placement fees	2,254	665	9,405	4,149
Brokerage income	13,293	17,244	34,080	55,793
Fees on loans and advances	743	258	753	340
Commission from future contracts	262	394	698	745
Other fee income	720	793	4,498	3,395
	18,810	22,567	55,164	71,473
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	2,671	(460)	(1,770)	(5,091)
- financial investments at FVOCI	2,072	(1,454)	2,522	766
- derivative financial instruments	(6,507)	(2,872)	14,065	11,519
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(1,279)	(1,469)	447	(1,922)
- derivative financial instruments	16,270	10,149	7,705	14,855
Dividend income from:				
- financial assets at FVTPL	291	479	1,592	1,216
Net unrealised gain/(loss) on fair value changes arising from fair value hedges				
	140	(516)	(218)	(1,666)
	13,658	3,857	24,343	19,677
<u>Other income:</u>				
Gain on disposal of property and equipment	-	-	2	-
Gain on liquidation of subsidiaries	37	-	37	-
Foreign exchange (loss)/gain	(8,586)	1,114	(11,169)	(1,146)
Other non-operating income	1,387	4	3,825	20
	(7,162)	1,118	(7,305)	(1,126)
Total non-interest income	25,306	27,542	72,202	90,024

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23. Overhead expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	18,481	12,162	50,546	41,439
Promotion and marketing related expenses	424	261	999	731
Establishment related expenses	4,714	4,071	13,338	12,479
General administrative expenses	2,975	3,790	10,559	12,083
	26,594	20,284	75,442	66,732
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	16,094	10,575	42,579	36,567
Defined contribution plan	1,957	1,872	5,672	5,309
Other employee benefits	430	(285)	2,295	(437)
	18,481	12,162	50,546	41,439
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	388	254	787	713
Others	36	7	212	18
	424	261	999	731
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	947	898	2,841	2,475
Amortisation of intangible assets	587	429	1,519	1,160
Depreciation of ROU assets	874	857	2,572	2,563
Rental expenses	69	28	86	90
Others	2,237	1,859	6,320	6,191
	4,714	4,071	13,338	12,479
(iv) General administrative expenses comprise the following:				
Management fee	861	843	2,200	2,780
Teletransmission expenses	1,772	1,882	5,246	5,418
Auditors' remuneration				
- Statutory audit fees	61	60	183	196
Legal and professional fees	180	35	597	621
Others	101	970	2,333	3,068
	2,975	3,790	10,559	12,083

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23. Overhead expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	18,535	12,138	50,546	41,368
Promotion and marketing related expenses	424	261	999	731
Establishment related expenses	4,723	4,066	13,338	12,465
General administrative expenses	2,971	3,787	10,549	12,053
	26,653	20,252	75,432	66,617
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	16,139	10,555	42,579	36,507
Defined contribution plan	1,965	1,868	5,672	5,298
Other employee benefits	431	(285)	2,295	(437)
	18,535	12,138	50,546	41,368
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	388	254	787	713
Others	36	7	212	18
	424	261	999	731
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	947	898	2,841	2,475
Amortisation of intangible assets	587	429	1,519	1,160
Depreciation of ROU assets	874	857	2,572	2,563
Rental expenses	65	24	74	78
Others	2,250	1,858	6,332	6,189
	4,723	4,066	13,338	12,465
(iv) General administrative expenses comprise the following:				
Management fee	860	842	2,198	2,777
Teletransmission expenses	1,772	1,882	5,246	5,418
Auditors' remuneration				
- Statutory audit fees	60	59	178	191
Legal and professional fees	180	35	597	601
Others	99	969	2,330	3,066
	2,971	3,787	10,549	12,053

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24. Write-back of/(allowance for) impairment losses on loans and advances

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
(i) Loans and advances	6	(38)	58	164
(ii) Loans and advances commitments	2	(1)	-	(1)
Impaired loans and advances written-off	-	(16)	-	(16)
	8	(55)	58	147

25. (Allowance for)/write-back of impairment losses on financial investments and other financial assets

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year	Current	Last
	quarter ended	quarter ended	year to date	year to date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
(a) Financial investments				
(i) Financial investments at FVOCI	8	(15)	19	9
(ii) Financial investments at amortised cost	-	-	-	12
	8	(15)	19	21
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(148)	91	10	229
- Impaired clients' and brokers' balances recovered	-	91	32	91
(ii) Other assets	85	(1)	(363)	22
	(63)	181	(321)	342
	(55)	166	(302)	363

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26. 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.

27. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these.

	The Group and the Bank	
	31.03.2023	30.06.2022
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	7,140
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	500	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	916,489	919,747
	917,989	927,887
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	648,000	1,019,897
- Over one year to five years	3,452,000	2,503,000
Foreign exchange related contracts:		
- One year or less	2,580,495	1,516,655
Equity related contracts:		
- One year or less	38,189	-
- Over one year to five years	200	200
	6,718,884	5,039,752
	7,636,873	5,967,639

The Group and the Bank do not have commitments and contingent liabilities other than as disclosed above.

EXPLANATORY NOTES

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company measures 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.

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 market 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, unit trust investments 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 determine 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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
31.03.2023	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	46,191	233,172	-	279,363
- Money market instruments	-	233,172	-	233,172
- Quoted securities	46,191	-	-	46,191
Financial investments at FVOCI	-	1,583,723	-	1,583,723
- Money market instruments	-	596,361	-	596,361
- Unquoted securities	-	987,362	-	987,362
Derivative financial assets	-	47,768	-	47,768
	46,191	1,864,663	-	1,910,854
Financial liability				
Derivative financial liabilities	-	27,146	-	27,146
30.06.2022				
Financial assets				
Financial assets at FVTPL	6,753	19,743	-	26,496
- Quoted securities	6,753	-	-	6,753
- Unquoted securities	-	19,743	-	19,743
Financial investments at FVOCI	-	1,256,640	-	1,256,640
- Money market instruments	-	433,200	-	433,200
- Unquoted securities	-	823,440	-	823,440
Derivative financial assets	-	38,393	-	38,393
	6,753	1,314,776	-	1,321,529
Financial liability				
Derivative financial liabilities	-	26,705	-	26,705

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
31.03.2023	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	45,989	233,172	-	279,161
- Money market instruments	-	233,172	-	233,172
- Quoted securities	45,989	-	-	45,989
Financial investments at FVOCI	-	1,583,723	-	1,583,723
- Money market instruments	-	596,361	-	596,361
- Unquoted securities	-	987,362	-	987,362
Derivative financial assets	-	47,768	-	47,768
	45,989	1,864,663	-	1,910,652
Financial liability				
Derivative financial liabilities	-	27,146	-	27,146
30.06.2022				
Financial assets				
Financial assets at FVTPL	6,554	19,743	-	26,297
- Quoted securities	6,554	-	-	6,554
- Unquoted securities	-	19,743	-	19,743
Financial investments at FVOCI	-	1,256,640	-	1,256,640
- Money market instruments	-	433,200	-	433,200
- Unquoted securities	-	823,440	-	823,440
Derivative financial assets	-	38,393	-	38,393
	6,554	1,314,776	-	1,321,330
Financial liability				
Derivative financial liabilities	-	26,705	-	26,705

There were no transfers between Level 1 and 2 during the financial period.

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29. Capital adequacy

The risk-weighted assets ("RWA") of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

(a) The capital adequacy ratios of the Group and the Bank are analysed as follows:

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	41.352%	39.464%	41.326%	39.445%
Tier 1 capital ratio	41.352%	39.464%	41.326%	39.445%
Total capital ratio	53.191%	50.447%	53.173%	50.437%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	41.352%	35.389%	41.326%	35.367%
Tier 1 capital ratio	41.352%	35.389%	41.326%	35.367%
Total capital ratio	53.191%	46.372%	53.173%	46.359%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2022: RM38,940,000).

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EXPLANATORY NOTES

29. Capital adequacy (continued)

(b) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows:

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Paid-up ordinary share capital	252,950	252,950	252,950	252,950
Retained profits	249,231	288,171	248,941	287,881
Other reserves	(5,457)	(19,792)	(5,457)	(19,792)
Less: goodwill and intangibles	(34,451)	(33,638)	(34,451)	(33,638)
Less: deferred tax assets	(97,350)	(110,559)	(97,350)	(110,559)
Less: investment in subsidiary companies	-	-	(200)	(200)
Total CET1 Capital	364,923	377,132	364,433	376,642
Tier 1 Capital	364,923	377,132	364,433	376,642
Tier 2 Capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	4,478	4,952	4,478	4,952
Subordinated obligations	100,000	100,000	100,000	100,000
Total Tier 2 Capital	104,478	104,952	104,478	104,952
Total Capital	469,401	482,084	468,911	481,594

Note:

⁽²⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances.

(c) Breakdown of risk-weighted assets in the various risk weights:

	The Group		The Bank	
	31.03.2023	30.06.2022	31.03.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Credit risk	358,254	396,174	358,203	396,120
Market risk	172,785	217,522	172,380	217,123
Operational risk	351,446	341,935	351,273	341,603
	882,485	955,631	881,856	954,846

EXPLANATORY NOTES

30. Changes in the composition of the Group

There were no changes in the composition of the Group since last financial quarter.

31. Significant events subsequent to the financial quarter

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited financial statements.

32. Review of performance for the financial quarter ended 31 March 2023 against the corresponding financial quarter

For the current financial quarter ended 31 March 2023, the Group recorded a profit before tax of RM12.0 million, as compared to a RM20.2 million in the corresponding financial quarter. Decrease in profit mainly due to lower net interest income arising from higher funding cost coupled with lower Bursa market volume recorded in the current quarter compared to the previous year's corresponding financial quarter.

33. Prospects for 2023

The start of year 2023 showed signs of easing inflation following the aggressive rate hikes by the various central banks in the year 2022. However, the recent crisis at the Silicon Valley Bank and 2 other banks in the US in March 2023 had triggered a fresh round of concern, of a potential global banking crisis. The swift response by the US federal bank regulators and the quick pace of the merger between Credit Suisse and UBS Group brokered by the Swiss government had successfully prevented a potential global contagion effect in the banking sector.

At the local front, Bank Negara Malaysia (BNM) has assured that the country's banking system remains sound, supported by strong capital base and resilient cash flows and in particular, our robust capital adequacy ratio (CAR) and healthy liquidity coverage ratio (LCR).

Looking forward, the Malaysian economy is expected to record steady growth supported by strong domestic demand, improvement in our labour market conditions to boost productivity and the anticipated recovery in the tourism industry. The earlier concerns on further rate hikes has dissipated somewhat. The market is expecting a slower pace of rate hikes to be adopted by the West, in particular the US, in view of the easing inflationary pressure. Our business environment will remain susceptible to global geopolitical and economic risks.

As such, we will remain vigilant against these systemic risks by constantly exercising discipline in managing our capital, liquidity and cost efficiency to deliver sustainable outcomes to our stakeholders.