Hong Leong Bank Berhad

Annual Report 2023

Corporate

Financials

Additional Information

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Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

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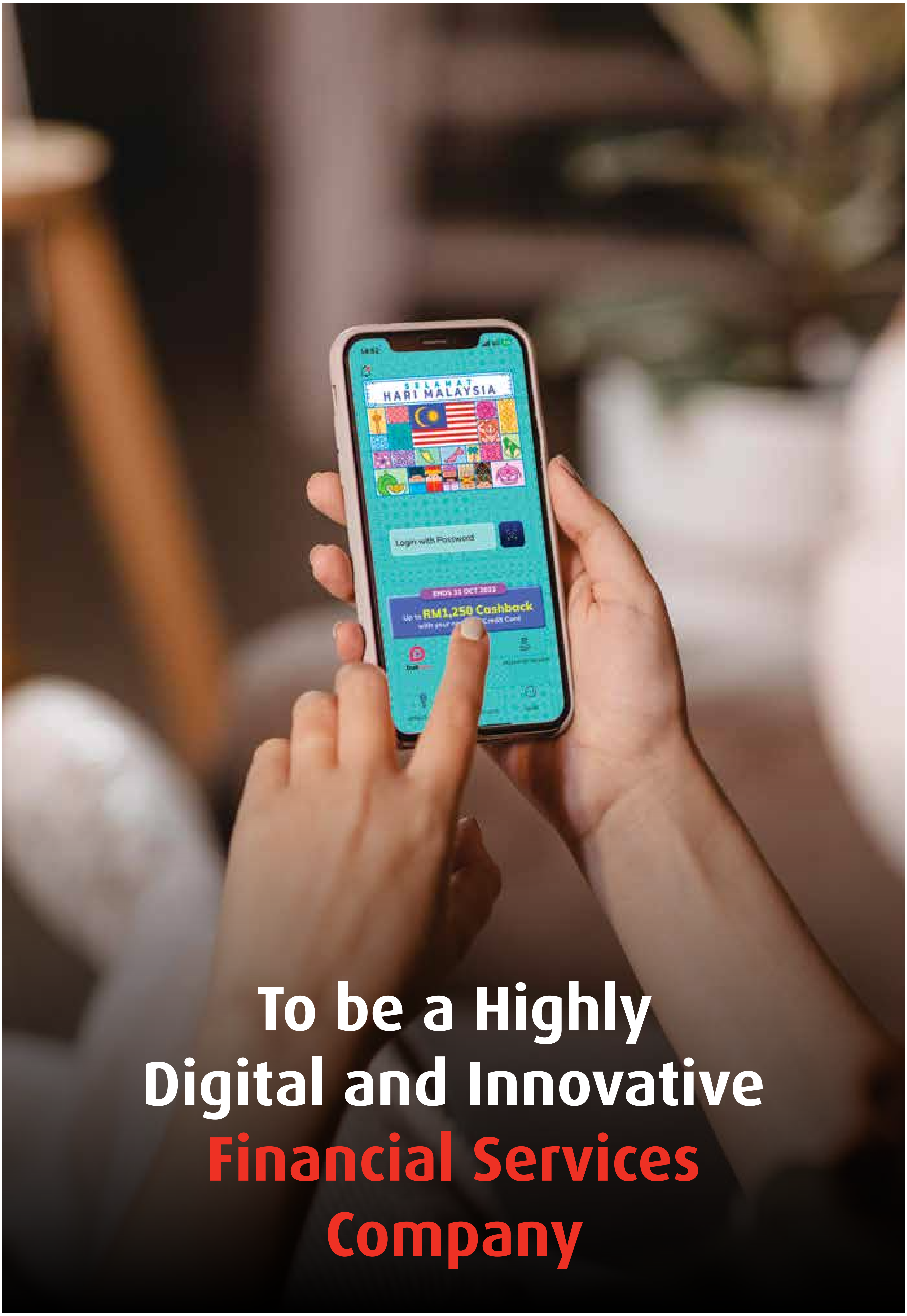
Run the QR Code Reader app and point your camera at the QR Code

Access it
Get access to Hong Leong Bank Berhad's website



To be a Highly Digital and Innovative Financial Services Company

The Business

In the ever-evolving tapestry of our nation's economic landscape, the year 2023 has emerged as a pivotal chapter in Malaysia's remarkable journey. As we reflect on the past year, we find ourselves immersed in a narrative of resilience, innovation, and transformation. The year under review brought forth a myriad of challenges, including the continued recovery from the global pandemic and the uncertainties of a volatile global economic climate. Yet, in the face of these trials, Malaysia exhibited remarkable fortitude and adaptability. It is a testament to our collective spirit that we not only weathered these storms but also thrived in the process. As a leading financial institution in Malaysia and the region, it is important for us to proactively facilitate economic development and bolster the nation's growth, contributing to the creation of a vibrant society. With a legacy spanning over 118 years, rooted in entrepreneurship, we leverage deep customer and community insights to deliver personalised solutions that reflect our commitment in meeting their needs at every stage, guided by our brand promise of 'Built Around You'.

Hong Leong Bank Berhad ("HLB") boasts assets of over RM 279.9 billion, is a leading digitally-driven, customer-centric Malaysian financial institution, serving customers across Asia. We offer a comprehensive range of innovative financial solutions for individuals, SMEs, and corporates. Our core principles focus on responsible financial services, prioritizing customer needs, championing digital innovation and sustainability, and fostering an engaged workforce to create stakeholder value. We are committed to inclusive growth and sustainable community development by supporting and enabling social enterprises to create meaningful impact on marginalised and underprivileged parts of societies and empower them to thrive.

With a network of 238 branches across Asia, including Labuan Offshore, Singapore, Hong Kong, Vietnam, and Cambodia, along with a full-service call center and 1,054 self-service terminals, we ensure accessible banking services are available for all customers. Our extensive Wealth Management services are available at all branches in Malaysia and Singapore, complemented by Priority Banking centers in both regions.

Rooted in a century-old legacy, our purpose drives us to make a tangible difference to our customers and society. In response to unprecedented challenges, we continuously evaluate our strategy to uphold resilience, sustainability, and unwavering support for customers and employees. Despite a challenging year, our business remains robust, guided by customer-centricity, innovation, customer insights, rigorous risk management, and entrepreneurial vigor. As we navigate an ever-changing landscape, these principles remain our steadfast foundation, ensuring we continue to deliver on our stakeholder expectations.

HONG LEONG BANK'S

Personal Financial Services

Principal business activities include providing banking services and financial products to individuals so that they can fulfil their needs for property and auto loans/financing, personal loans/financing for their periodic household needs, card and payment products to facilitate everyday spending and transactions, investment and insurance solutions for wealth management and protection needs, deposit and remittance products and services to individuals and small businesses for their liquidity, savings and payment needs, as well as digital banking solutions including internet and mobile banking services.

Wealth Management

Wealth management has been expanded to providing comprehensive services through solutions tailored to our clients' individual and business needs, spanning across Malaysia and Singapore. These services are delivered by certified Wealth Advisors and an experienced network of Relationship Managers with the aim of achieving sustainable, multigenerational, multifaceted wealth progression through Investments, Insurance, Deposits and Asset Financing.

REGIONAL FOOTPRINT

In line with our growth strategy, HLB has maintained its footprint in the Asian region.

SINGAPORE OPERATIONS

HL Bank Singapore, the Singapore branch of HLB operates under a full banking license. We offer a comprehensive range of financial services to business, retail and high net worth customers through our 4 core business segments – business & corporate banking, personal financial services, private wealth management and global markets. The branch is forging ahead by expanding the client segments value proposition, expanding employee's capabilities and stepping-up its digital transformation to enhance clients' experiences and operational efficiency.

HONG KONG OPERATIONS

The Bank's Hong Kong branch operates under a full banking license and provides global market and SME/wealth management services to its customers. The Hong Kong branch soft launched its SME business in early 2021 in a very prudent manner and we started to build up good quality SME pipeline in second quarter of 2022. It will continue to develop the SME business by acquiring good quality customers and sound assets in the new financial year while the global market team will continue to provide treasury market solutions to our customers.

VIETNAM OPERATIONS

Hong Leong Bank Vietnam Limited ("HLBVN"), a subsidiary of the Bank, commenced operations in October 2009. HLBVN is a full-fledged commercial bank in Vietnam whose principal activities include provision of retail loans, deposit products, wealth management, and priority banking services to individuals. Whereas business banking solutions include working capital and term loans, deposit and liability management products and trade finance services as well as foreign exchange ("forex") and money market services. To date HLBVN has main operations through a branch each in Ho Chi Minh City and Hanoi.

CAMBODIA OPERATIONS

In July 2013, Hong Leong Bank (Cambodia) PLC ("HLBCAM") commenced operations as a 100% wholly owned subsidiary providing comprehensive financial services covering consumer banking, SME banking, business banking, global markets and transaction banking services. With seven full-fledged branches located in Phnom Penh, HLBCAM's strategic objective for the operations in the Kingdom is towards growing with the community by supporting the local SME and Commercial/ Corporate Customers, high net worth individuals, affluent and emerging affluent as well as tech savvy young professionals in prospering their financial managements and solutions.

INVESTMENT IN CHINA

HLB was the first Malaysian bank to enter the Chinese banking sector in 2008 with a strategic investment in Bank of Chengdu Co. Ltd ("Bank of Chengdu") and has an 19.76% stake in the company. Bank of Chengdu is a leading city commercial bank in Western and Central China based in Chengdu, the capital of Sichuan Province, and is listed on the Shanghai Stock Exchange. HLB also holds a 12% equity investment in Sichuan JinCheng Consumer Finance Company, a licensed consumer finance firm established in Chengdu in March 2010.

KEY BUSINESS PILLARS ARE:

Business & Corporate Banking

Principal business activities include the provision of banking solutions to SMEs, commercial and corporate clients, such as deposit and loan services covering business current account, liquidity management, auto-sweep as well as fixed deposit. Financing options available range from asset acquisition, working capital, business expansion and business automation. HLB also specialises in the provision of transaction banking solutions via cash management, corporate internet banking platform, trade financing and services and merchant payment solutions.

Global Markets

Global Markets assists our institutional and corporate clients on their investment and hedging needs across asset classes, including Foreign Exchange, Fixed Income, Derivatives and Structured Products. On top of managing Clients' treasury requirements, Global Markets also manages the Bank's excess liquidity and risks arising from the Bank's transaction and payment flows.

Islamic Financial Services

Islamic Financial Services are offered by Hong Leong Islamic Bank, a wholly-owned subsidiary of HLB which is focused on providing Shariah-compliant Personal Financial Services, Wealth Management, Business and Corporate Banking and Global Markets products and services.

Awards & Accolades

HONG LEONG BANK BERHAD

Awards & **Accolades**

Lembaga Hasil Dalam Negeri Malaysia - Hari Hasil Ke-27 LHDN

Anugerah Pembayar Cukai Terbaik Tahun 2022

- in Recognition of HLB's Continuous Commitment in Good Tax Governance and Compliance

*Organised by **LHDN***

Asian Banking & Finance Retail Banking Awards 2022

Best SME Bank in Malaysia 2022

*Organised by **Asian Banking & Finance***

Recognized by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)

Best Performance for a Financial Institution 2022

*Organised by **SJPP***

The Asian Banker Malaysia Excellence in Retail Financial Services International & Country Awards 2022

Best SME Bank in Malaysia 2022 (Four consecutive years: 2019, 2020, 2021, 2022)

*Organised by **The Asian Banker***

The Asian Banker Malaysia Excellence in Retail Financial Services International & Country Awards 2022

Most Recommended Retail Bank by Consumers 2022

*Organised by **The Asian Banker***

HONG LEONG BANK BERHAD

Environmental Finance Bond Awards 2022

Asset-Backed / Asset-Based / Covered Sustainability Bond of the Year 2022

Organised by ***Environmental Finance***

Awarded by Green Climate Initiative (GCI)

Titanium+ Tier Certification for HLB Data Centre

Organised by ***Organized by Green Climate Initiative (GCI)***

Sustainability & CSR Awards Malaysia 2022

Bank of the Year - Financial Literacy 2022

Organised by ***Organized by CSR Malaysia***

National Energy Awards 2022

Best Bank - Sustainable Energy Financing - Conventional Financing 2022

Organised by ***inistry of Natural Resources, Environment and Climate Change***

Asset Benchmark Research 2023

Mentioned 4 Times under "Highly Commended" in Malaysian Ringgit Bonds - Sales 2023

Organised by ***The Asset***

The Edge Malaysia ESG Awards 2022

Best Performer - Financial Institution 2022

Organised by ***The Edge***

Asset Benchmark Research 2023

4th Best in Malaysian Ringgit Bonds - Research 2023

Organised by ***The Asset***

Global Good Governance Awards 2023

3G Best Sustainability Disclosure & Reporting Award 2023

Organised by ***Cambridge IFA***

Asset Benchmark Research 2023

Best Trading Individual in Pan Asia 2023

Organised by ***The Asset***

Global Good Governance Awards 2023

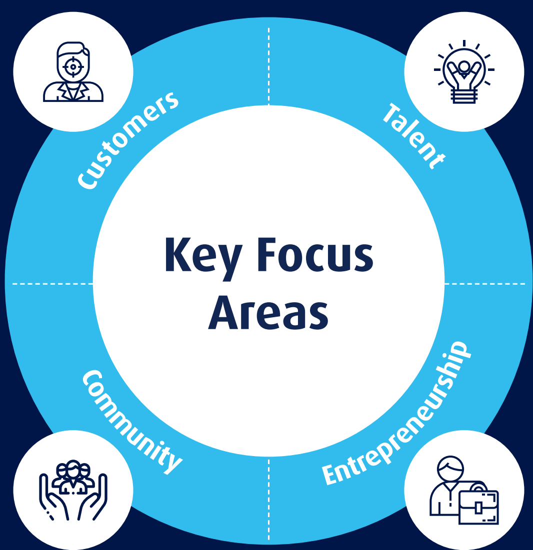
3G Best Corporate Governance Framework 2023

Organised by ***Cambridge IFA***

Hong Leong Bank Story

HLB is listed on Bursa Malaysia Berhad and forms part of the Hong Leong Group. Headquartered in Kuala Lumpur, the Bank has a strong Malaysian entrepreneurship heritage of 118 years.

HLB was originally incorporated as Kwong Lee Mortgage and Remittance Company in 1905 in Kuching, Sarawak and later as Kwong Lee Bank Limited in 1934, bearing heritage of the oldest local financial institution in Malaysia. Kwong Lee Bank Berhad was acquired by the MUI Group in May 1982 and renamed Malayan United Bank Berhad on 2 February 1983. In 1989, it was renamed as MUI Bank. Under the MUI Bank banner, it grew from 11 to 35 branches nationwide. On 3 January 1994, Hong Leong Group acquired MUI Bank Berhad through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) and renamed it Hong Leong Bank Berhad. The Bank was listed on the Kuala Lumpur Stock Exchange (now under Main Market of Bursa Malaysia) on 17 October 1994 and since then has grown to be a significant player in the Malaysian banking and financing landscape, organically as well as through mergers and acquisitions, with its merger with EON Bank Group in 2011. Today the Bank is Malaysia's fifth largest banking group by assets with RM 279.9 billion in assets as at 30 June 2023, and fourth largest by market capitalisation as at the same date.



Incorporated in 1905:

Kwong Lee Mortgage and Remittance Company in Kuching, Sarawak

RM279.9 billion in assets as at 30 June 2023

LOCATIONS

Personal Financial Services

Business & Corporate Banking

Global Markets

Islamic Banking

Technologically Focused

Customer Centred Solutions:

Built Around You

Strong Entrepreneurial Heritage

Building Sustainability Through:

- Digital at the Core
- Workforce Readiness
- Socially Responsible Business
- Environmental Management
- Community Investment

Channels

- Mobile Banking
- Internet Banking
- Branches
- Self Service Terminals
- Call Centre
- Relationship Managers
- E-Commerce

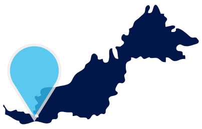
Core Values

- Here for the long-term
- Innovation
- Collaborate to Win
- Decisiveness
- Have fun

Corporate Milestones

1905

Started in Kuching, Sarawak, Malaysia, under the name of Kwong Lee Mortgage and Remittance Company



1934

Incorporated as Kwong Lee Bank Limited

1989

Renamed as MUI Bank, operating with 35 branches

1994

- Acquired MUI Bank through Hong Leong Credit Berhad (Now known as Hong Leong Financial Group Berhad)
- Renamed as HLB

2008

Entered China banking sector with a 20% strategic stake in Bank of Chengdu Co., Ltd.

2009

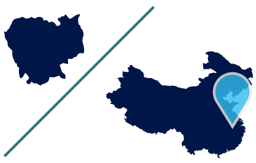
HLBVN opened its doors in Ho Chi Minh City

2011

HLB completed merger with EON Bank Group

2013

- HLBCAM commenced its operations
- Set up representative office in Nanjing, China



Intensified digitisation of HLB's products and services

2014

Launched new Internet Banking platform, PEx payment, tablet app and cardless withdrawal

2015

- Launched new platform for business internet banking to replace HLOB (Hong Leong Online Business), Applewatch app, eFD & e-TDI, e-Will/Wasiat and Biometric authentication
- Introduced physical PEx+ Merchant Payment

2016

- First domestic bank to enable FPX payment allowing customers to conduct transactions 24/7 via Hong Leong Connect BIZ
- Launched Artificial Intelligence Chat Service using IBM Watson, E-TT and online statement
- Supercharged innovation through the setting up of a Customer Experience and Innovation Lab
- Moved to online platforms for auto and personal loans, credit card & CASA (Current Account & Savings Account) opening applications
- PEx+ Merchant Payment went online

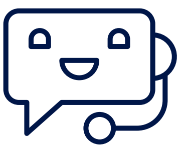
HongLeong connect BIZ

2017

- Piloted in-branch mobile servicing solution featuring iPad-equipped service ambassadors to greet and service customers
- Launched HLB LaunchPad to nurture Malaysian technology and FinTech start-ups
- Introduced eFD via FPX

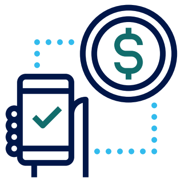
2018

- Rolled out Robotic Process Automation projects
- Launched comprehensive online banking platforms for corporate, commercial and SME banking (Hong Leong Connect First)
- Introduced eLearning for the benefit of all employees, a peer-to-peer, knowledge sharing mobile platform application which incorporates fun elements of gamification in the learning journey (SmartUp)
- Established the first Hong Leong Bank Digital Concept flagship branch in Damansara City, featuring Personalised Teller tablets, Teller Assisted Units and a Discovery Zone interactive digital platform
- Piloted Multi-lingual Robot Concierge services at Damansara City Priority Banking Branch
- Introduced a virtual assistant Artificial Intelligence chatbox on our employees' digital devices (HALI) to provide answers on Human Resources and Branch Operations Support policies and procedure queries
- Rolled out Digital Business Solutions and SMElite Financing facilities for SMEs



2019

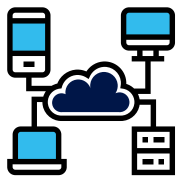
BUSINESS



- First bank in Malaysia to enable merchants and individual users to transact with WeChat Pay in Ringgit, with Malaysia being the first country outside of China and Hong Kong to be able to make payments in the local currency
- Increased efforts on **SME business** with more focus on providing fit-for-industry total business solutions
- Introduced a first-in-market **all-in-one Smart Point-of-Sales (POS)** terminal that enables merchants and consumers to perform cashless transactions, accepting all cards and e-payments in a single device
- Celebrated the 10th year of success of the country's first co-branding card, the HLB Golden Screen Cinema (GSC) Credit Card with more **exciting rewards and value** to movie-goers
- Partnered and launched two **Travel Cards, HLB AirAsia Credit Card** and **Emirates HLB Credit Card** with two of the best-in-class airlines, AirAsia and Emirates to serve the rising travel market in Malaysia

INNOVATION

- Pioneering change in the banking industry with the introduction of intuitive digital service delivery by launching the first Digital Branch in Penang at Burmah House
- Launched the **Customer Experience and Usability Lab (CX Lab)** in Menara Hong Leong providing a collaborative space for cross-functional business, operations and technology teams to work together with external parties such as FinTechs, startups and technology partners
- The first bank in Asia to transform customer support with leading innovative technology Amazon Connect, a self-service cloud-based contact centre solution at HL Bank, HLB's branch in Singapore



PEOPLE

- Introduced **Hackathons** to discover talents and to inculcate and cultivate an innovation mindset to create an agile and future ready workforce
- Innovated the recruitment process via the introduction of HALI, an Artificial Intelligence chatbot and **Virtual Recruitment Assistant** to match suitable candidates with high-skill jobs
- Future-proofing employees by incorporating **design thinking** in our training modules as part of the on-boarding programme
- Introduced Workplace by Facebook to ensure our workforce can **communicate, collaborate and connect** simpler and better, using familiar features like groups, chat and video calls

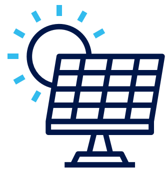
CSR/COMMUNITY

- Launched **HLB Jumpstart**, the Bank's CSR platform that champions Malaysians helping to build a sustainable Malaysia from social enterprises and non-profit organisations to passionate individuals on Malaysia Day
  - Introduced the **'Demi Kita'** campaign in collaboration with SURI which upcycles denim and provides financial opportunity and living skills for single and underprivileged mothers
  - Partnered with Green Hero to **support food wastage solutions** across Malaysia

Corporate Milestones

2020

BUSINESS



- Committed RM500 million for renewable energy financing for the next 4 years in supporting government plans to increase the share of Renewable Energy in the country
- Launched HLB Connect in Vietnam:
  - true convenience for consumers with next generation, customer-centric digital banking
  - greater financial inclusion and access to e-commerce on a single platform
- Pre-emptive action (early Feb 2020) to support customers with our HLB Customer Financial Relief Plans to support customers facing financial challenges due to the impact of the novel coronavirus (COVID-19)
- Fast tracked credit approval for SME's under BNM's Special Relief Facility Funds (SRF) to ease their burden amidst these challenging times
- Participated in the PENJANA SME Financing Scheme ("PSF") where the Bank will extend its support to local SME businesses during the recovery period which have and continue to be adversely impacted by COVID-19
- Plan in place to provide additional targeted assistance to customers who foresee difficulties in restarting their regular payments come October 2020 (post Malaysia's auto moratorium for individuals and SMEs) under the Bank's Payment Relief Assistance Plans

INNOVATION

- Cashless Experience - collaborated with WeEat, a WeChat mini programme for F&B outlets for customers to order and enjoy meals seamlessly while avoiding queues
- Worked with MyTaman to empower Taman Desa Residents Association (TDRA) to use WeChat Pay functionality at all merchants in the community, **the first of such an effort in Malaysia**
- Launched First-in-Market eToken with Biometric Recognition for businesses making banking more secure and convenient
- Expanded and enhanced in-branch tablet facilities to serve customers quickly and effectively, while enabling the Bank to reallocate resources to greater value add activities
- Launched **'Cashless Lagi Senang'**: onboarded traders at more than 20 public markets in Penang to accept cashless transactions in support of the state's 'Cashless Pasar Awam' initiative
- Upgraded the HLB Connect App to give customers the freedom to customise their digital banking experiences and reduces the number of steps needed to make online transactions
- Continued the digitalisation and innovation journey with the successful transformation and migration of Financial and Procurement processes to the **PtoP@HLB** platform allowing staff to work remotely, anytime and anywhere with ease and convenience to amongst others, raise claims, process invoice payments and raise purchase requisitions

CUSTOMERS AND EMPLOYEES

- Introduced the Brand Promise **"Built Around You"** which revolves around the principles of building trust through personalised experiences, by having a deep understanding of our customers, making every experience easy to delight customers consistently and to proactively anticipate customers' needs to make their lives better
- **Expanded Workplace** by Facebook to **Cambodia** and **Vietnam** to make employee collaboration faster and easier and connect easily with familiar features such as groups, chats and video calls
- **Introduced the cloud-based Workday** platform which has helped streamline talent management, HR operational activities as well as learning and development

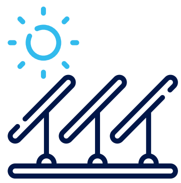
CSR/COMMUNITY

- Launched **HLB DuitSmart** initiative to empower Malaysians with better financial knowledge during Malaysia Day Via **HLB Jumpstart**:
  - the Bank partnered with **Coffee for Good** who provides barista training for underprivileged youth
  - Assisted Social Enterprise SURI with Social Procurement to Support Single Mothers Producing PPE for Medical front liners in an effort to uplift and strengthen communities in-need
- Pledged RM150,000 to Support Orphanages and Senior Care Homes with meals during Ramadan and Raya
- Donated RM1 million to MERCY Malaysia through the Association of Banks Malaysia to help the fight against COVID-19
- Embraced environmentally friendly policies by changing the way we procure and use resources and how we interact with customers, for example, not sending hardcopy statements which was expanded to more products and services

2021

BUSINESS

- The Bank has been consistently offering repayment restructuring options to help individuals, SMEs and Corporate borrowers navigate through the financial fallout from the COVID-19 pandemic as part of its own initiatives starting February 2020 ahead of the industry wide initiatives in March 2020 while continuing to support the on-going industry wide repayment deferment programmes over the past 18 months.
- Continued to work closely with clients that were not covered by the auto-moratorium such as credit card customers, those that were in arrears and corporate clients.
- Additional credit was extended to SMEs under the Government's recovery schemes and we have continued to provide normal lending/financing activities throughout.
- A Flood Relief Assistance programme which consisted of a six-month moratorium was offered to customers impacted by the major floods in various parts of Malaysia.
- Made available special financing to business customers who required working capital to aid the recovery of their businesses.
- Introduced the HLB SME Solar Financing, a green energy financing facility specially developed for Malaysian SMEs looking to install small-scale solar photovoltaic systems to help drive cost and energy efficiencies, which in turn drive compliance with ESG principles.



INNOVATION

- The first bank in Malaysia to offer our customers an end-to-end digital onboarding via **Apply@HLB** without the need to be physically present at a branch or go to a self-service terminal.
- The first bank in Malaysia to have an e-commerce store on Malaysia's leading e-commerce platform, Shopee Mall. Customers are able to sign-up for banking products and services anytime with just a few clicks without the need to visit any physical branches.
- Upgraded the flagship **HLB Connect** digital platform to elevate its efficient transactional tool to an integrated and personalised banking platform that can help our customers take control of their financial management.
- Launched **HLB Pocket Connect**, a first-in-the-market interactive digital banking platform that serves both young savers and their parents enabling the younger customer segment to take charge of their own pocket money and savings, while parents seed a responsible and healthy financial lifestyle in their children, which is done in a fun and interactive way.
- Extended the **HLB Pocket Connect** app offering with the digitally-forward first-of-its-kind in the market **Earth Hero** initiative that gamified financial and environmental education through interactive and hyper-personalised content designed to educate young digital natives towards being financially savvy and environmentally friendly.

CUSTOMERS AND EMPLOYEES

- Enabled micro and smaller businesses and traders to embrace cashless payment mode via the **Hong Leong Bank Tap on Phone POS** terminal where merchants such as hawkers and wet market traders were better positioned to cope with the changing customer payment mode using the contactless mobile payment acceptance service, which is a simple and secure low-cost payment solution.
- Initiated various cost savings initiatives for customers in FY2021 resulting in approximately RM93.3 million in overall savings via:
  - Provision of waiver of interbank cash withdrawal fee resulting in RM20.8 million savings for the community.
  - Assisted customers in restoring their payment behaviours and financial well-being enabling them to settle their arrears in full or partially during the moratorium period where some part of the interest/profit charged are waived thereby reducing the amount owing by borrowers by RM31.1million.
  - Initiated a Car Surrender Programme for customers with past due instalments where the Bank assisted borrowers to sell their cars on their behalf and shortfalls on the loan/financing were waived. A shortfall amounting to RM2.5million was borne by the Bank for this initiative.
  - Waiver of various late fees, interest/profit accrual and collection fees were waived for customers who made settlement plans to regularise or payoff their loans/financing with the total waived amounting to RM945,000.
  - Waiver of late interest/profit & fees for SME clients with RM116,000 in savings for customers.
  - Waiver of Corporate Internet Banking monthly subscription fees and token fees resulting in RM12 million in savings for customers.
  - Absorbed Stamp Duty on Foreign Exchange contracts with a total of RM77,000 in savings for customers.
  - Introduced a Credit Card Conversion to Term Loan initiative resulting in savings amounting to RM25 million in the first year.
  - Waiver of late payment fees and a hassle-free application process for customers applying for Relief Assistance during the MCO period with a total of RM941,000 in savings.

Corporate Milestones

- Fully deployed Google Workspace bank-wide, harnessing the power of working on cloud, enabling the utilisation of virtual meetings capabilities among employees, customers and business partners.
- Supported employees through strong employee engagement amid the pandemic using platforms such as Google Connect, the PlusVibes app and Brown Bag sessions.

CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY INVESTMENT

- Nurturing FinTechs and startups that solve community pain points by identifying startups with innovative solutions that are Digital, Adaptable and Sustainable to help Malaysians adapt and thrive in this new and next normal.
- Launched **Jumpstart@65** – a facility which offers collaborators a co-working space, customer usability labs and a community centre that is equipped with state-of-the-art tools such as eye-tracking technology and 3D printing for testing through customer immersion sessions such as focus groups, ethnographic studies, customer-staff co-creation sessions as well as experiencing first-hand how customers behave and react to the solutions and offerings proposed.
- Expanded our financial sustainability and literacy programme, **HLB DuitSmart** by adapting the programme to be easily used by the visually impaired community in collaboration with several blind associations in Malaysia.
- Expanded the **HLB DuitSmart** programme online to students, piloting the DuitSmart Online Workshop with 72 UCSI University students and will be rolling out the online workshops to more students from higher education institutions, secondary and private primary schools, as well as to single mothers and Orang Asli communities.
- Expanded access to financial literacy and inclusion through the financial sustainability programme, **HLB DuitSmart** to the visually impaired community.
- Further driving the financial inclusion agenda for the visually impaired through the development of the first-of-its-kind 'talking ATM' to serve the needs of our visually impaired customers in Brickfields, Kuala Lumpur and Pulau Tikus, Penang.
- Mentored three winning startups; **Food Market Hub**, **Pay:Watch** and **ERTH** (e-Waste Recycling Through Heroes) to work collaboratively on pilot projects addressing food security, gig economy and e-waste management respectively in the third edition of our **HLB Launchpad 2020**.
- Collaborated with **The Asli Co**, a social enterprise focusing on helping Orang Asli mothers to earn a sustainable living through making artisanal handicrafts and products from home by providing assistance and mentorship to make their enterprise more sustainable and scalable through **HLB Jumpstart**, the Bank's CSR platform.
- Onboarded our fifth social enterprise and our first from East Malaysia - **Benak Raya Enterprise**, a Sarawak-based social enterprise, to the **HLB Jumpstart** platform.
- Donated a total of RM255,368.86 to Mercy Malaysia as part of a community disaster response effort to aid in ongoing COVID-19 response mobilisation and support.
- Donated RM27,000 to the University of Malaysia Medical Centre towards a High Flow Nasal Cannula Oxygen ("HFNC") non-invasive ventilator unit to help critical patients suffering from COVID-19.

SUSTAINABILITY

- Sustainability has been elevated to a core focus area, integrating its various requirements into all aspects of our business activities to ensure that we do our part in promoting sustainability. We contribute towards building a vibrant and sustainable ecosystem by:
  - Introduction of an ESG Framework that incorporates Environmental, Social and Governance ("ESG") considerations in the Bank's credit evaluation of its small and medium-sized enterprises ("SME") and corporate customers.
  - The ESG Framework governs the Bank's credit assessment as we move towards advocating the greening of business activities as well as the transition to a low carbon and climate-resilient economy.
  - Enhanced the Framework to include an Internal Environmental and Social risks rating system and additional guidelines to deal with high-risk sectors such as forestry, metals and mining/quarrying, non-renewable energy and palm oil.
  - Launched the 'Sustainability Roundtable' aimed at engaging the industry including related associations, organisations and companies embarking on sustainability transformations, to share and discuss the benefits and challenges in sustainability practices. The Roundtable's early topics were related to plastics manufacturing and renewable energy.

Corporate Milestones

2022

CUSTOMERS

- Continued offering Relief Assistance for customers affected by the pandemic to help individual, SME, and corporate customers recover with strength and sustain their business for the long term.
- Provided a six-month loan, financing and credit card payment deferment for flood affected customers and, financing for working capital for SMEs and microenterprise customers.
- Waived various fees including interbank transfer fees, stamp duties, late payment charges, interest/profit reduction for customers who caught up on their late payments and absorbing principal shortfalls from various initiatives such as Car Surrender Programmes and lower interest rate to Credit Card customers who converted their balance outstanding to term loans – these various initiatives provided total savings to customers amounting to RM129 million in FY2021 and FY2022.
- Digitised the payment relief assistance process to eliminate the need for customers to visit the branch. We have simplified the processing of applications and processed more than 194,000 requests between August 2020 and June 2022, with an acceptance rate of 94%.

- Organised the Bank's first 'Digital Business Day' to help businesses gain knowledge and access solutions to transform their businesses in the digital era.
- Launched the seventh full-fledged branch in Borey Peng Huoth Boeung Snor, Cambodia to serve the rising demand for banking and financial services for Cambodians and drive financial inclusion in the country while deepening the Bank's presence in the region.
- Supported the burgeoning SME sector through a collaboration between Hong Leong Bank Cambodia and the SME Association of Malaysia through a Memorandum of Understanding to open opportunities for both Cambodian and Malaysian SME businesses to cross collaborate and explore mutually beneficial business potential and opportunities.
- Broadened the Bank's portfolio to include Regional Wealth Management which provides solutions tailored to clients' individual and business needs spanning Malaysia and Singapore.

EMPLOYEES

- Supported employees amid the pandemic by initiating vaccine programmes targeting 100% vaccination rates amongst employees, offering financial counselling via a dedicated channel on Workday and emotional assistance through PlusVibes.
- Provided avenues for employees to give back to society by launching the HLB Employee CSR platform where employees are able to volunteer their time and effort at homes, shelters or social enterprises, or donate towards festive season meals for residents of homes, amongst others.

Employees Covid-19 Vaccination Programme

Corporate Milestones

INNOVATION

- Launched the fourth edition of the HLB Launchpad which seeks to support and mentor tech entrepreneurs and startups leveraging digital to develop innovative solutions for better and more sustainable business resilience.
- HL Bank Singapore launched Southeast Asia's first biodegradable debit card as part of the Bank's sustainable banking efforts, as well as to reduce the amount of single-use plastic bank cards in circulation.

ENVIRONMENTAL

- Provided business customers wanting to install small-scale solar photovoltaic ("PV") systems with easy access to sustainability-linked financing via HLB SME Solar Financing.
- Issued the first in Malaysia Green Additional Tier 1 Capital Securities of RM900 million in nominal value enabling more companies looking to advance their sustainability agenda through green financing.
- Continued tree planting initiatives through the HLB Earth Hero initiative combining financial literacy with environmental appreciation where young savers are able to pledge trees to be planted by the Bank in the Lower Kinabatangan area of Borneo. 2,500 trees have since been planted with 2,500 more pending bringing positive changes in biodiversity in the area with endangered animals repopulating the area.
- Partnered with the Malaysian Nature Society ("MNS") to restore degraded forest with approximately 50,000 mangrove trees in the Kuala Selangor Nature Park over the next three years.

SOCIAL

- Completed a 3-year socially sustainable securitisation exercise of affordable HLB and HLISB home loans and financing assets worth a total of RM300 million to CAGAMAS to meet the rising demand from investors with ESG mandates to deploy capital towards socially responsible businesses.
- Continued support for social enterprises SURI Lifestyle (SURI), and Komuniti Tukang Jahit through social procurement by engaging them to sew Baju Raya for residents of several welfare homes around the country during the Raya celebrations thereby ensuring continued earnings for the social enterprise and festive cheer for the residents of the homes.

- Continued assistance for Sarawak based Benak Raya the latest social enterprise to be onboarded onto the Bank's CSR platform known as HLB Jumpstart, to build a scalable and sustainable business through mentorship, networking as well as equipping them with business tools and skills including logistics management, digital adoption and strengthening brand awareness through marketing, amongst others.
- Rolled out the HLB DuitSmart Financial Literacy Workshop initiative as financial literacy is a crucial life skill which not many Malaysians learn in universities and schools, impacting a total of 847 students, with many more workshops in the pipeline.
- Mobilised a donation drive for essentials such as food, cleaning items, clothing, sanitary items, baby formula and pet food for Hong Leong Foundation's initiative in flood-stricken areas in Dusun Tua, Hulu Langat, Taman Sri Muda, Shah Alam, Kg Tengah, Puchong and Mentakab, Pahang and provided humanitarian support with MERCY Malaysia through funding during the devastating floods that impacted over 27,000 people in Johor, Terengganu, Pahang, Perak and Kelantan in addition to donating RM55,368 to them to help communities impacted by the COVID-19 pandemic.

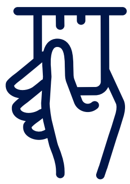
- Contributed RM34,650 to the Financial Industry Collective Outreach Programme ("FINCO") initiative where cash was distributed to 77 students to support their family's grocery needs for three months and channelled RM400,000 from HLB's Malaysia Day marketing budget to provide school meals for impoverished students when certain schools faced food supply issues due to the floods and the pandemic.
- Contributed RM30,000 to UCSI University's COVID-19 Vaccination programme to cover operational costs, i.e., meals and allowances for unemployed volunteers while HLB employees donated 74.3 tonnes of food aid to 219 schools nationwide, helping 4,952 deserving students and their families and raised RM90,000 towards 1.8 tonnes of food for eight soup kitchens feeding over 9,000 destitute individuals.

2023

CUSTOMERS AND EMPLOYEES

- The Bank continued to offer Rescheduling & Refinancing programme to assist our individual, SME, and corporate customers throughout the year.
- Continued to provide a six-month loan, financing and credit card payment deferment for flood-affected customers during monsoon seasons and, financing for working capital for SMEs and microenterprise customers.
- Introduced **HLB@Kampung**, and transformed Sekinchan, Selangor into the **First Cashless Kampung** in the country, driving efforts toward financial inclusivity by enabling cashless and contactless payments for 24,000 Sekinchan residents and small businesses as well as schools in addition to increasing access to banking.

- HLBVN launched its Personal Insurance Solutions in Partnership with Chubb Life Vietnam to promote financial inclusivity and improve the lives of the community with comprehensive, value-adding financial products.
- Introduced enhanced security measures and increased customer education efforts to further strengthen our online and mobile banking services and safeguard our customers from potential fraud.
  - Moved away from Transaction Authorisation Code (TAC) to AppAuthorise;
  - Restricted one mobile or secure device for the authentication of online banking transactions;
  - Introduced cooling-off period for customers when they set up their HLB Connect mobile banking app and enable AppAuthorise for the first time on a new device or when they increase their daily online transaction limit;



  - Introduced Emergency Lock in our HLB Connect App, allowing customers to lock their accounts on their own, if they suspect any unauthorised or scam/fraud activity with their account;
  - Offered 24-hour, 7 days a week hotline for customers to report financial scam incidents.
- Introduced CSR Leave as part of the Bank's commitment to supporting employees' volunteerism where employees are entitled to two working days per calendar year to carry out CSR activities.

Corporate Milestones

The Marketing Communication and Analytics Division spent a day volunteering at Zoo Negara under the HLB Employee CSR Programme

INNOVATION

- The Bank was one of the first Banks in Malaysia to enable cardholders to make contactless payments using Google Wallet.
- Launched **HLB Salary Advance Employer Solution**, the first bank in Southeast Asia to back an Earned Wage Access solution to provide Malaysians easy access to their earned salaries and transformed the way businesses offer and manage their advanced salary payouts.
- Updated HLB Wallet that not only allows it to be used by adults (aged 18 and above), but also minors (aged 12 to 17).
- Upgraded HLB Wallet to a higher tier called HLB Wallet+ for additional features, such as the multi-currency feature.
- Organised "Can You Hack It" 2022, with a focus on reimagining banking through hyperpersonalisation and the Metaverse.
- Launched the fifth edition of the HLB Launchpad, focusing on discovering start-ups that could create shared opportunities and economic multiplier effects through quality education and equipping talents for workforce readiness in the new norm.

ENVIRONMENTAL

- Started including overseas markets and enhanced carbon disclosures to include Employee Commuting and Downstream Leased Asset.
- Established a new Data Centre in Hong Leong Tower, which was officially certified as a Green Computing Facility with a Titanium+ ranking from the Green Climate Initiative ("GCI")
- Became a signatory to the Partnership in Carbon Accounting Financials ("PCAF") as we step up our efforts to calculate our Financed Emissions along with the identification and assessment of physical risks of our collaterals and assets.

Corporate Milestones

SOCIAL

- Rolled out a new social finance programme, **'HLB Jumpstart – Micro Business'** to provide funding to individuals who may not have the opportunities and means to secure full-time employment or to aspiring entrepreneurs who lack credit history and the opportunity to start their own small businesses.
- **HLB@School** continued to support the digital transformation of schools in Malaysia by providing cashless payments, digital banking tools and financial infrastructure to schools and students. Notably, **HLB@School** transformed 16 schools in Kota Kinabalu in December 2022, the most digitally transformed school in a region.
- Assisted in the launching of **Visit Sekinchan Year 2023** under **HLB@Kampung,** after the small town started using the digital payment tools rolled out the Bank.
- Added more speech-equipped Self Service Terminals ("SSTs") to assist the visually-impaired banking customers, making it 17 units nationwide.

Chairman's Statement

A Commitment to Enhancing Value For All

In the year under review, we have witnessed our nation and the world emerge from a prolonged period of difficulty and uncertainty as a result of the Covid pandemic. While there were numerous immediate positive outcomes for the economy, businesses and society, there was heightened inflation which in turn led to sustained increases in interest rates putting the fragile global economic recovery at risk. Nevertheless, we at Hong Leong Bank ("HLB" or "Bank") remained resolute in meeting the needs of our customers and generating sustained value for our stakeholders.

Despite persistently challenging operating environment in the past year, we have continued to grow in strength, underpinned by our prudent approach to managing asset quality and the investments required to grow the business. Consequently, the Bank was able to deliver a set of resilient financial results in the 2023 Financial Year ("FY2023"), building on its growth momentum with a 16.1% year-on-year ("y-o-y") increase in net profit to RM3.8 billion. Total assets have also increased and now stand at RM279.9 billion, a 10.0% y-o-y improvement.

ECONOMIC LANDSCAPE

Despite the softening growth prospects in the global macroeconomic environment, the Malaysian economy remained resilient and maintained its growth momentum. In the second quarter of 2023, the economy continued to gain traction, registering a 1.5% quarter-on-quarter ("q-o-q") growth, quickening from the 0.9% q-o-q growth experienced in the first quarter of 2023. This translated into a y-o-y growth of 2.9% for the second quarter of 2023, which came in below the long-term average growth rate, skewed by a high base in the previous corresponding period, with an 8.8% y-o-y growth in the second quarter of 2022.

The sustained pace of domestic demand growth reflected resiliency in consumption and pick-up in investment, underpinned by policy support, a strong labour market amidst capacity expansion, and progress in construction activities. This helped cushion the fallout in net exports which has turned negative as a result of bigger declines in both exports and imports compared to the preceding quarter.

Looking ahead, the path to economic growth remains uncertain due to ongoing challenges posed by macroeconomic and geopolitical risks. Energy and food prices remain elevated although somewhat eased from its peak so inflation has yet to be tamed and a pause to interest rate increases is not yet certain. All these factors call for vigilance and adaptive strategies to navigate an evolving economic environment.

In addition to our financial performance, HLB has continued to devote significant resources towards strengthening our digital foundations and capabilities, driven by our "Built Around You" brand promise to our customers and "Digital at the Core" ethos. We are also cognisant of our stakeholders' ever-growing concern surrounding the Environmental, Social and Governance ("ESG") agenda and remain deeply committed to integrating ESG practices across our entire value chain. Overall, the Bank's performance has been commendable, and I am confident that we will continue delivering long-term and sustainable value to all our stakeholders.

On that note, I am honoured to present to you, our Annual Report and Financial Statements of the Bank for the financial year ended 30 June 2023.

TOTAL ASSETS

RM279.9 billion — **+10.0%**

GROSS LOANS AND FINANCING

RM181.7 billion — **+8.0%**

EARNINGS PER SHARE

186.4 sen — **+16.0%**

SUSTAINED VALUE CREATION

The Bank has continued to generate value for its shareholders, with an improvement in profits and other key metrics in the year under review, underpinned by growth in loan and financing assets as well as healthy asset quality. Gross loans and financing grew by a solid 8.0% y-o-y to RM181.7 billion in FY2023. The growth in loans and financing was largely driven by increased business activities in the key segments of mortgages, auto loans, SME and commercial banking, as well as overseas operations. Customer deposits also exhibited positive growth, with a 7.3% y-o-y increase to RM211.7 billion in FY2023. In FY2023, the Bank maintained its healthy asset quality, with a gross impaired loan ratio ("GIL") of 0.57%.

With this performance, earnings per share ("EPS") for FY2023 rose to 186.4 sen, representing an increase of 25.8 sen or 16.0% y-o-y. In addition, our return on equity ("ROE") was commendable at 11.8%. The Bank's share price performed resiliently during FY2023 and closed at RM18.96, which outperformed both the FBM KLCI index and KLFIN index by 22.8% and 12.1%, respectively, over the past five years. In light of the Bank's financial performance and commitment to enhancing shareholder value, the Board declared a final dividend of 38.0 sen per share for FY2023. This brings the total dividend for FY2023 to 59.0 sen per share, as compared against 55.0 sen per share paid out in FY2022, translating to a dividend payout ratio of 32.0%.

ISLAMIC BANKING PERFORMANCE

Malaysia maintains its position as a prominent global hub for Islamic finance. In 2022, total Islamic banking assets expanded by 10.8%, accounting for 62.7% of the Asia-Pacific region's Islamic banking assets. This growth is attributed to Malaysia's dynamic and resilient Islamic finance ecosystem. The industry

remains robust, with strong capital buffers supporting intermediation activities while the Halal sector has been recognised as a high-impact sector capable of driving Malaysia's economic growth.

As a leading player in the Islamic banking sector, Hong Leong Islamic Bank ("HLISB") is steadily reinforcing its presence in the industry. During the review period, HLISB achieved a healthy financial performance, recording an encouraging 29.2% y-o-y growth in profit before zakat and taxation to reach RM566.7 million. Islamic financing assets and deposits, including term investment accounts, expanded by 12.9% to RM41.1 billion and 13.4% to RM47.1 billion respectively. The contribution of the Islamic financing portfolio to the Bank's total loans/financing remained strong at 22.6%.

Guided by the brand promise to its customers, HLISB actively extend the reach of our products and services to the public through community outreach strategies. HLISB is committed to explore emerging trends in Islamic finance to ensure that it stays at the forefront, particularly in areas such as Islamic wealth management, the Halal economy and investment intermediation. HLISB is dedicated to growing alongside its customers by providing innovative and personalised Islamic financial solutions while upholding a commitment to sustainability.

REGIONAL PERFORMANCE

In the year under review, most regional economies, like the rest of the world, grappled with higher inflation and the ensuing effect of slower economic growth. Nevertheless, our franchises were able to navigate these challenges and capitalise on opportunities that emerged together with economic activity being back at pre-pandemic levels.

The Bank's regional business continued to generate meaningful returns for HLB with a gross loans expansion of RM2.2 billion or 18.8% y-o-y. Robust loans growth was seen in Singapore, Vietnam and Cambodia on the back of the ongoing economic recovery.

Situated in one of Asia's premier financial hubs, HL Bank Singapore ("HLBS") represents our operations in Singapore as a fully licensed bank that operates a single branch and specialises in providing tailored products to specific segments. In FY2023, HLBS's gross loans expanded by RM1.7 billion, closing at RM9.4 billion, while deposits increased by 39.7%, totalling RM14.4 billion. As of end June 2023, total assets expanded 26.7% y-o-y to RM16.2 billion. Its offerings encompass Business and Commercial Banking ("BCB"), Private Wealth Management ("PWM"), and Personal Financial Services ("PFS"). BCB caters to established small and medium enterprises involved in various economic growth sectors and regional trade activities. PWM offers advisory services to high-net-worth individuals, assisting them with investment strategies and wealth preservation. PFS focuses on serving the Auto Finance segment and providing personalised banking services to the mass affluent. HLBS remains fully committed to digital transformation across all its business lines and actively engages with the communities it serves to enhance the customer experience.

In Vietnam, Hong Leong Bank Vietnam Ltd ("HLBVN") maintained strong momentum in balance sheet growth during FY2023 despite the country experiencing softer economic growth due to weakened global demand. Loans grew by 18.3% y-o-y, reaching RM2.0 billion, while deposits increased by 42.8% y-o-y, totalling RM1.9 billion. As of end June 2023, total assets for HLBVN grew 15.7% y-o-y to RM3.2 billion. HLBVN continues to expand channels and products for retail customers and is enhancing its digital banking platform for business and corporate customers.

In Cambodia, Hong Leong Bank (Cambodia) PLC ("HLBCAM") achieved a steady gross loan portfolio of RM2.6 billion while maintaining a deposit book of RM2.2 billion. As of end June 2023, total assets amounted to RM3.4 billion. HLBCAM remains focused on promoting the franchise, leveraging regional strengths to enhance customer experience and provide greater product value proposition through both physical and digital channels, supported by proactive risk management.

Our associate in China, the Bank of Chengdu ("BOCD") which is a city commercial bank in Sichuan Province listed on the Shanghai Stock Exchange, delivered a robust performance with strong asset quality, contributing RM1.3 billion to our bottom line. BOCD aims to leverage on the development of the Chengdu Chongqing Economic Circle to achieve larger scale and drive steady growth in core business areas while maintaining a leading position among city commercial banks in China.

DRIVING DIGITAL AND SUSTAINABLE GROWTH

Throughout the review period, Malaysia has successfully navigated a dynamic and ever-changing economic landscape, demonstrating resilience and adaptability in the face of formidable challenges. The combined efforts of the government, businesses, and the Malaysian populace have contributed to a consistent economic recovery and expansion.

The government's strategic initiatives, including targeted fiscal measures and robust investment programmes, have played a pivotal role in revitalising essential economic sectors and propelling overall growth. During this time, we have continued to be steadfast in supporting our customers as partners in their growth and path towards recovery and success.

This has been exemplified by our commitment to invest in the right digital capabilities to be market relevant while serving our customers effectively. Today, our digital platforms seamlessly facilitate the onboarding of our banking products and services, enabling customers to engage in day-to-day banking at their convenience, thus transcending beyond the operating hours of human managed channels like our branches and call centre.

Our top priority, however, remains on finding new ways to harness technology in delivering exceptional Digital Human Experience for all our customers. Through innovation and the introduction of market leading capabilities, we have significantly enhanced our customer journeys, ensuring that interactions are effortless, seamless, and intuitive across various channels.

HONG LEONG BANK SINGAPORE GROSS LOAN

RM9.4 billion **+22.9%**

HONG LEONG BANK VIETNAM GROSS LOAN

RM2.0 billion **+18.3%**

HONG LEONG BANK CAMBODIA GROSS LOAN

RM2.6 billion **+5.6%**

Our progress over the years has been a direct result of our "Digital at the Core" strategy, which has yielded further advancements over the past 12 months. The strong performance we have delivered represents the successful execution of strategies driven by insightful data. Currently, we take great pride in serving 2.6 million retail customers digitally, which is almost three-quarters of our 3.7 million retail customers in Malaysia. Our digital platforms cater to the needs of close to 128,000 business customers and continue to help more every year.

In addition, we are moving ever closer to having all banking transactions take place through our internet and mobile banking platforms across all regions.

On the sustainability front, we have made significant strides in the year under review. For instance, our renewable energy financing commitment continues to grow, reaching an approved amount of RM3.2 billion as at the end of FY2023. This is more than six times the amount we had originally targeted when we first set the target in 2019. Our efforts have been recognised through the Special Award for Sustainable Energy Financing by Domestic Bank in 2022 which we won at the National Energy Awards in March 2023.

In terms of our net zero ambitions and carbon reduction targets, we have been making meaningful progress in achieving our goals. Since FY2019, we have managed to reduce more than 15% of our operational carbon emissions (Scope 1 & 2), ahead of the targeted reduction of 15% to 25% by the year 2026. This was achieved through Energy Efficiency & Conservation ("EE&C") Measures implemented at our operational facilities.

While we are continuously strengthening our commitment and focus on the low carbon transition, we prioritise climate resilience through our financial solutions and services. To that end, we have become a signatory to the Partnership in Carbon Accounting Financials ("PCAF") this year and started calculating our Financed emissions, in addition to identifying and assessing the physical risk of our collaterals and assets.

We also recognise that to maintain our momentum and to build a strong sustainable culture among our people, we need to develop future sustainability champions within the Bank. We have made this a priority by providing access to knowledge on key sustainability issues, engagements on practising sustainable lifestyle as well as recruiting talents with the relevant expertise.

FOSTERING A CULTURE OF EFFECTIVE GOVERNANCE

At HLB, we are steadfast in our commitment to upholding strong and effective governance practices rooted in integrity and responsible business conduct. We recognise that these principles are vital for ensuring the long-term sustainability of our organisation. To this end, our Board and management have established a comprehensive framework of internal controls and risk management practices. This framework is governed by key committees such as the Board Audit Committee ("BAC"), Board Risk Management Committee ("BRMC"), Risk and Compliance Governance Committee ("RCGC"), and Financial Crime Governance Committee ("FCGC"). Through this robust governance approach, we maintain appropriate checks and balances that enable us to successfully navigate uncertainties within an ever-evolving risk landscape.

One of our primary objectives is to instil a strong compliance culture throughout the organisation which is achieved through a combination of electronic and face-to-face training methods. We invest in our employees' continuous learning and certifications, equipping them with the necessary knowledge to adapt to the rapidly changing regulatory environment. This year, we have introduced the Compliance Awareness Programme, which utilises activity-based learning to enhance active participation for enhanced knowledge retention.

We maintain a zero-tolerance stance towards bribery and corruption activities. To support this commitment, we have implemented policies and procedures that are overseen by the Board and management through the BAC, BRMC, and RCGC. This position is affirmed with the Anti-Bribery and Corruption Compliance Programme, implemented to effectively manage and mitigate the risks associated with bribery and corruption, guided by the Bank's policy. We communicate this commitment to external parties we work with, ensuring that they understand their obligations and adhere to relevant laws and regulations.

In recognition of our role as a gatekeeper of the financial system, especially in the context of illicit activities, we actively monitor regulatory developments and assess their impact on our internal policies, processes, and procedures. In our ongoing efforts to mitigate the risks of financial crime, we continuously

enhance our control measures against Money Laundering, Terrorist Financing, and Proliferation Financing, maintaining a high level of adherence to regulatory requirements.

OUTLOOK

Looking ahead, the year 2024 is anticipated to be characterised by prolonged low growth and elevated inflation. Advanced economies are expected to bear the brunt with projected growth for 2024 standing at 1.4%, in contrast to the 4.1% expansion projected for emerging market and developing economies. While downside growth risks remain, odds of a global recession has dissipated somewhat for now, taking cue from resiliency in the major economies. Inflation, while remaining at elevated levels has also abated from recent highs and this shall offer some much needed relief to both businesses and consumers, allowing central banks globally to shift to a looser monetary policy stance in the first half of 2024 to support growth, should the need arise.

The prospects for the Malaysian economy are expected to remain moderate, as domestic policy support is anticipated to partially offset external headwinds. Given that China is Malaysia's largest trading partner, any slower-than-expected recovery in the Chinese economy would inevitably dampen growth prospects for Malaysian external trade, thus impacting the overall economy. However, Malaysia is well poised to benefit from a shift in foreign direct investment in the region, particularly in the semiconductor cluster. This, coupled with closer collaboration between Singapore and Johor in a special economic zone, are expected to help bolster growth prospect in the Malaysian economy in the medium to longer term.

ACKNOWLEDGEMENTS

I would like to take this opportunity to convey my sincere and heartfelt gratitude to the esteemed members of our Board. Throughout the years, your invaluable insights, guidance, and support have played an instrumental role in our collective success.

I also want to extend my appreciation to our esteemed customers, trusted business partners, dedicated investors, and loyal shareholders. Your loyalty and support have been the driving force behind our Bank's growth and accomplishments.

To our exceptional employees, I am grateful for your dedication and hard work which has resulted in yet another outstanding performance for our Bank. I would also like to acknowledge the achievements of our senior management team whose expertise and commitment to our shared goals have been invaluable.

On that note, I would like to acknowledge the contributions made by, Domenic Fuda, who retired from his role as the Group Managing Director/ Chief Executive Officer in June 2023. Domenic played an instrumental role in guiding HLB over these past seven years, leading with intense focus and taking HLB through a period of significant transformation which enabled the Bank to emerge stronger despite the disruptive pandemic period. On behalf of the Board, we wish Domenic all the best in his future undertakings. In his place, we welcome Kevin Lam who took over the helm of HLB effective 1 July 2023 and look forward to working closely with Kevin in bringing HLB to its next phase of growth.

Lastly, I would like to express my appreciation to Bank Negara Malaysia, the Ministry of Finance, regulatory authorities, and government agencies. Your assistance and support have been crucial to our operations and success. As we embark on the next financial year, let us approach it with fervour and determination to achieve our goals and fulfilling our collective aspirations. Together, we will continue to make a positive impact in the industry and serve our stakeholders with excellence.

QUEK LENG CHAN
Chairman

19 September 2023

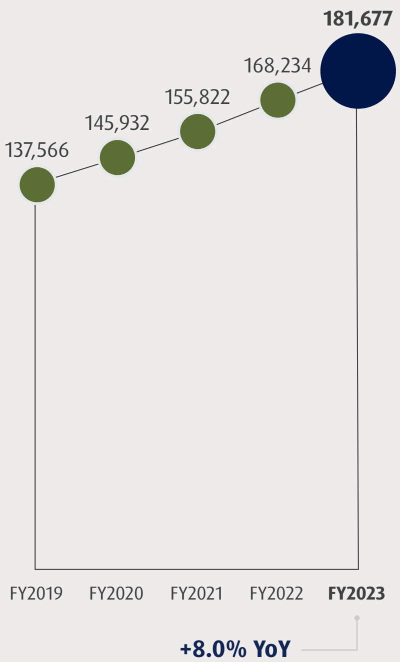
Five Year
Financial Highlights

Group	FY2019 RM'million	FY2020 RM'million	FY2021 RM'million	FY2022 RM'million	FY2023 RM'million
Total Assets	207,369	221,278	237,129	254,331	**279,850**
Gross Loans, Advances and Financing	137,566	145,932	155,822	168,234	**181,677**
Customer Deposits	163,070	173,493	183,290	197,292	**211,652**
Shareholders' Fund	25,474	27,234	29,459	30,989	**33,987**
Profit Before Tax	3,186	2,989	3,471	4,367	**4,627**
Profit After Tax	2,665	2,495	2,861	3,289	**3,818**
Earnings per share (sen)	130	122	140	161	**186**
Net dividend per share (sen)	50.0	36.0	50.0	55.0	**59.0**
Dividend payout ratio	38.4%	29.5%	35.8%	34.7%	**32.0%**

Gross Loans, Advances and Financing

Commendable growth trajectory driven by expansion in mortgages, auto loans, SME and commercial banking as well as overseas operations

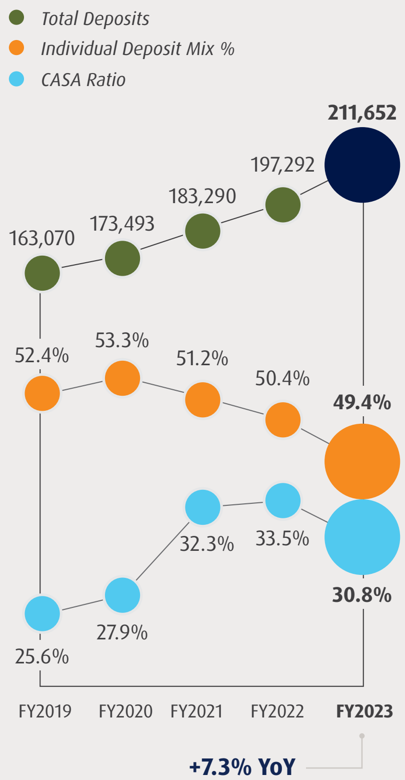
RM'Million



Deposits from Customers

Stable funding base backed by solid individual deposit base and CASA acquisition initiatives

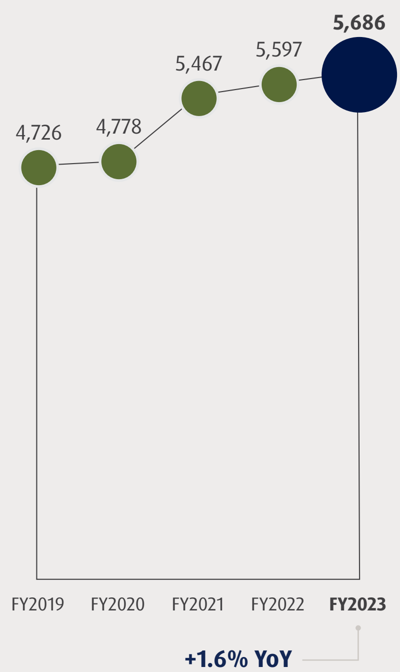
RM'Million



Total Income

Resilient topline performance underpinned by loan/financing expansion and improved non-interest income contribution

RM'Million



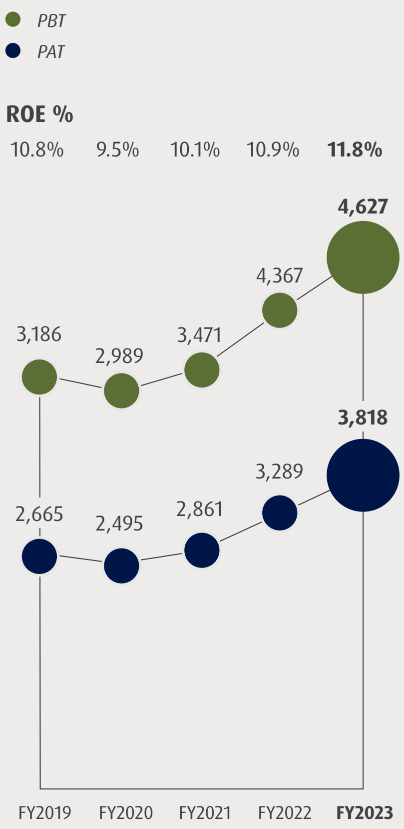
Five Year Financial Highlights

Bank	FY2019 RM'million	FY2020 RM'million	FY2021 RM'million	FY2022 RM'million	FY2023 RM'million
Total Assets	169,461	177,707	188,434	198,130	**215,057**
Gross Loans, Advances and Financing	109,943	113,745	120,402	128,054	**136,343**
Customer Deposits	131,397	137,633	144,357	155,007	**162,733**
Shareholders' Fund	20,125	20,985	21,999	22,399	**23,586**
Profit Before Tax	2,386	2,075	2,404	3,196	**2,729**
Profit After Tax	1,927	1,654	1,868	2,212	**2,077**

Profitability

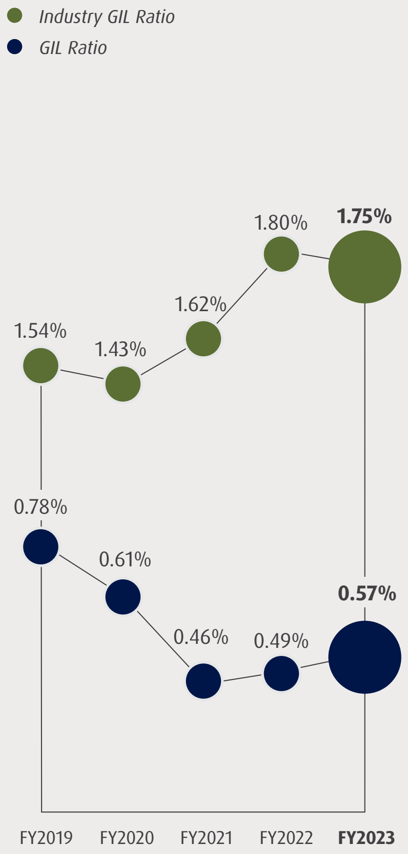
Reasonable profitability amidst challenging operating environment and global headwinds

RM'Million



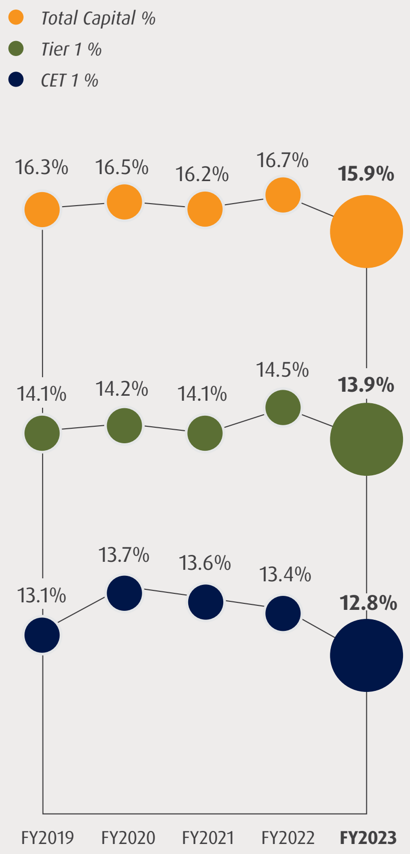
Asset Quality

Healthy asset quality with a stable GIL ratio and adequate loan impairment coverage



Capital Ratios

Solid capital positions which are supportive of future business expansion



Group Managing Director/
Chief Executive Officer's Review

Dear Shareholders, Customers and Business Partners

The Bank has once again delivered a commendable set of results in FY2023, underpinned by robust loan/financing growth and ensuring healthy asset quality amidst a challenging global macroeconomic landscape.

While Malaysia's economic growth story has been positive and certainly lent some momentum to the business environment, the global narrative has been more difficult to pin down given the uncertainty emanating from geopolitical tensions and stubborn inflationary pressures.

With the recovery seen in the Malaysian economy throughout 2022 and into the first half of 2023 leading to encouraging spillover effects in most economic sectors, we were able to capitalise on these positives to produce an even stronger performance than the year before. In tandem with this, HLB remained disciplined in the management of its asset quality and continued to advance

our key strategic priorities to continue our business growth momentum.

Here, I would like to say that I am honoured to be taking over as the Group Managing Director and Chief Executive Officer of HLB, effective 1 July 2023. I recognise the strong legacy left by my predecessor, Domenic Fuda, who has taken the Bank from strength to strength over the past seven years. He has set a high benchmark and I fully appreciate this opportunity to build on his legacy and to take HLB to the next level.

In taking on this task ahead, it is clear to me that HLB's promise of "Built Around You" has worked well in our favour and we will continue to double down on our efforts to put customers and communities at the centre of everything we do. The Bank's laser focus on meeting the needs of our customers by making banking as simple, seamless and inclusive as possible while employing a digital-first approach has certainly paid dividends. Guided by our "Digital at the Core" ethos, we have stood by our customers during their most challenging moments, continuously enhancing and innovating our products and services to provide outstanding banking experiences.

The encouraging response from our customers that we continue to witness is what inspires us to do more. During this fiscal year, the number of retail customers on our digital platform crossed the 2.6 million mark, aided by growth in our retail internet and mobile banking customer base of 12% and 19% y-o-y respectively. Most significantly, 93% of all retail banking transactions are now conducted via our internet and mobile banking platforms. In tandem with this, digital banking adoption by our business customers has experienced robust growth following the resurgence of economic activities post-pandemic. About 128,000 business customers are now connected digitally, supported by the business internet banking customer base growing 14% y-o-y, while our business mobile banking customer base soared by 40% as compared to the same period last year.

The post-pandemic era has ushered in an exciting period for digital-first banks like ours, where digital platforms continue to be the primary channel across various facets of financial services. Our digitally enabled innovation is reshaping the way we work, facilitating collaboration with our customers, businesses and partners, enabling us to explore new income streams and opportunities for growth.

ECONOMIC LANDSCAPE

The macroeconomic landscape continues to face a myriad of challenges, particularly risks associated with policy tightening and persistent inflation. Furthermore, recent geopolitical uncertainties have further complicated an already tense global environment, potentially triggering another round of disruption in the global supply chain and investment flows.

However, policy tightening has been the prevailing theme in the past year with central banks around the world implementing significant interest rate hikes. The US Federal Reserve, for instance, has raised its target rate by a substantial 525 basis points since March 2022. The Bank of England and the European Central Bank have followed suit, with rate increases of 475 and 450 basis points, respectively. These factors have impeded real income growth and real yields and will continue to do so in the foreseeable future.

Group Managing Director/Chief Executive Officer's Review

These policy actions reflect the commitment by global policymakers to address inflation and balance economic growth, albeit raising concerns about the potential for a slowdown or recession. In fact, the Eurozone has already experienced a technical recession in the first quarter of 2023, marked by two consecutive quarters of quarter-on-quarter contractions.

On the domestic front, the Malaysian economy continues to receive support from ongoing policy measures, including government subsidies and cash transfers. These measures have helped to mitigate the impact of higher inflation and the rising cost of living. Private consumption, which accounts for a significant portion of total GDP, remains a key driver of growth, expanding by 4.3% y-o-y in the second quarter of 2023. Investment activities have also contributed to growth, with a faster 5.5% y-o-y increase, driven by capital spending from both private and public corporations.

OPERATING PERFORMANCE

In FY2023, the Bank achieved a total income of RM5,686 million, marking a 1.6% y-o-y increase, while net profit after tax reached a record RM3,818 million, showing an encouraging 16.1% improvement compared to the previous year. This performance was driven by continued loan/financing expansion, sustained non-interest income, and robust contributions from our associates.

Net interest income remained stable at RM4,552 million, with a net interest margin ("NIM") of 1.98% for FY2023. The relatively flat performance was attributed to increased funding costs, but it was offset by growth in the loan/financing portfolio and effective asset/liability management.

Non-interest income witnessed a substantial 15.8% y-o-y improvement to RM1,133 million, resulting in a non-interest income ratio of 19.9%. This growth was primarily driven by credit card-related fees, aligned with the economic recovery, and enhanced performance in trade finance and foreign exchange throughout the year.

Operating expenses were prudently managed, ending the year slightly higher than the previous year at RM2,233 million, maintaining a solid cost-to-income ratio of 39.3%. Consequently, the operating profit before allowances for FY2023 amounted to RM3,452 million.

Gross loans, advances, and financing maintained their growth trajectories, reaching 8.0% higher y-o-y at RM181.7 billion, driven by expansion in key portfolios such as mortgages, auto loans, Small and Medium Enterprises ("SMEs") and commercial banking, as well as overseas operations.

SUSTAINABLE COST-TO-INCOME RATIO OF
39.3%

NET PROFIT AFTER TAX
RM3,818
million
+16.1%

Domestic loans/financing once again outpaced the industry in FY2023, recording a growth of 7.2% y-o-y compared to the industry growth of 4.3% y-o-y. Residential mortgages increased by 8.1% y-o-y to reach RM89.1 billion, while transport vehicle loans experienced a robust 10.9% y-o-y growth to RM19.6 billion, in line with the surge in motor vehicle sales.

Domestic loans to business enterprises expanded by 10.2% y-o-y to RM60.8 billion, and the SME loan/financing portfolio grew by 9.7% y-o-y to RM33.0 billion. The Bank's community banking initiative within the SME segment maintained its growth momentum, achieving a remarkable 13.2% y-o-y growth, attributed to a strong loan/financing pipeline, innovative client-centric solutions, and digitalised onboarding initiatives enhancing customer experience.

The Bank's fundamentals in FY2023 remained supportive of business growth, backed by our stable liquidity and capital base, with loan-to-deposit ratio ("LDR") at 84.3% and liquidity coverage ratio ("LCR") at 136.4%.

Customer deposits showed a healthy 7.3% y-o-y increase in FY2023, amounting to RM211.7 billion, with CASA reaching RM65.1 billion, representing a CASA ratio of 30.8%. The Bank's funding base remained robust, bolstered by an established individual deposit portfolio, growing 5.2% y-o-y to RM104.6 billion, with an individual deposit mix of 49.4%.

The Bank maintained its disciplined approach to asset quality, reflecting a healthy GIL ratio of 0.57% in FY2023. With the prudent pre-emptive buffer of RM574 million that the Bank holds on to, the loan impairment coverage ("LIC") ratio remained adequate at 168.8%. Inclusive of the value of securities held on our GIL, the Bank's LIC ratio stood comfortably at 238.8%. The Bank's capital position remains solid, supporting future growth, with CET 1, Tier 1, and Total Capital ratios at 12.8%, 13.9%, and 15.9%, respectively.

SETTING THE STANDARD FOR EXCELLENCE

At HLB, our unwavering commitment centres around placing our customers and communities at the forefront of our endeavours. Our "Built Around You" brand promise signifies our single-mindedness in delivering financial products and services that meet the evolving needs of our customers and communities. We aim to simplify banking through digital innovation, complement lifestyles, enhance financial accessibility and inclusivity, and drive positive outcomes for all.

Over the course of the financial year, our efforts to create value across everything that we do has garnered widespread commendation, reaffirming our status as a financial institution that genuinely values the perspectives of our customers, employees, and communities. These prestigious awards serve as a testament to our outstanding initiatives in sustainability, governance, and dedication to placing customers at the heart of everything we do. Furthermore, they highlight the visionary and inventive spirit of our highly skilled workforce.

Our deep commitment to nurturing Malaysia's SME sector has garnered recognition with awards such as the Best SME Bank in Malaysia in 2022 by The Asian Banker for the fourth consecutive year. We have also received accolades for our overall performance in providing banking solutions to SMEs, including the Best SME Bank in Malaysia by Asian Banking and Finance ("ABF") for the second consecutive year and the Best Domestic Bank 2022 by Asiamoney. Additionally, we were awarded as the Best Performing Financial Institution in 2022 by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"), recognising our role in facilitating government guarantee programmes aimed at assisting SMEs with their cashflow needs.

In line with our digital-focused strategy, we continued to strengthen and innovate within the banking ecosystem, providing customers with convenient omnichannel access to our services. Our customer-centric innovations that deliver extraordinary experiences and positive outcomes have been recognised with awards such as the Digital CX Awards Best Customer Insights Initiative 2022.

As a financial institution dedicated to maintaining exemplary levels of corporate governance while demonstrating significant progress in our sustainability journey, we are truly honoured to be recognised for our efforts in cultivating trust and instilling confidence among our stakeholders. Our efforts have been recognised by awards including the Bank of the Year - ESG Leadership Award at the Sustainability and CSR Malaysia Awards 2023, as well as the 3G Leadership in Corporate Governance Award 2022, 3G Best CSR Campaign Award 2022, and 3G Best Sustainability Disclosure & Reporting Award 2022 by the Global Good Governance ("3G") Awards 2022-Cambridge IFA. In addition, The Edge, a renowned business publication, named us the Best Performer in the Financial category in their ESG Awards 2022.

Meanwhile, our commitment to the community has driven us to embark on various initiatives to give back and empower those around us. Our efforts in financial literacy and empowering social enterprises have received recognition where we were crowned the Company of the Year (Banking) at the Sustainability & CSR Malaysia Award 2022. In addition, premised on our financial literacy workshops impacting more than 1,500 students and various other community outreach programmes, CSR Malaysia awarded us the award of Bank of the Year for Financial Literacy in 2022.

STRATEGIC PRIORITIES

At the heart of our strength and success in creating value lies an unwavering commitment to five strategic priorities that have become the cornerstone of the Bank's journey. Each priority has been meticulously woven into our business fabric, ensuring that we stay resolute in our pursuit of excellence and customer-centricity. These guiding principles have not only driven us to navigate through challenging times but have empowered us to seize opportunities and elevate our performance to new heights.

Grounded in innovation and a dedication to delivering exceptional service, our customer-centric approach has been the bedrock of our success. Even amidst the headwinds of a higher interest rate environment and global economic instability, we have remained steadfast in meeting the evolving needs of our customers as we doubled down on our "Built Around You" brand promise. As a digital-first bank, we remain at the forefront of fostering financial inclusion and delivering unparalleled banking experiences. Our commitment to their financial well-being has also allowed us to forge deeper connections and create unparalleled value, earning us their trust and loyalty.

Our workforce is the heart and soul of our organisation, and effective talent management is at the core of our people agenda. We understand the pivotal role that our employees play in driving our vision forward. Over the past year, we have placed a heightened focus on building a robust talent pipeline, reinforcing existing initiatives, and introducing new strategies that empower our people to excel and thrive in their roles.

To drive sustained growth for the Bank and our stakeholders, we are committed to growth through our existing franchises while looking for new opportunities to expand our reach and market share especially in our retail, wealth and SME portfolios. Looking ahead, we recognise the opportunities that are present around the region as we continue to progress in our journey to be a highly digital and innovative ASEAN financial services institution.

We also recognise that the financial landscape is constantly evolving, with digital banking amplifying societal inequalities. As a responsible financial institution, it is therefore our responsibility to cultivate an inclusive banking ecosystem. Our collective efforts are directed towards the diverse needs of our community ensuring that financial services are accessible to all, regardless of their background or circumstances.

Embracing our role as stewards of the environment, we have embarked on a transformative sustainability journey. This year, we have made incremental but meaningful progress, enhancing the standards and completeness of our disclosures. Taking a leading role in the ESG conversation, we strive to create a positive impact through our internal initiatives and by mitigating climate change risks.

1 ANCHORING ON "BUILT AROUND YOU"

As a customer-centric financial institution driven by innovation and a commitment to delivering exceptional service, we remained steadfast in our dedication to meeting the evolving needs of our customers. Our unwavering dedication to fulfilling the needs of our customers and communities remains at the core of everything we do. We continuously push the boundaries to create products and services that truly cater to our customers' preferences while actively seeking their input to further enhance their banking experience. Our primary focus is on building personalised solutions tailored to their unique needs, ensuring banking is accessible at any time. This customer-centric approach is deeply ingrained in our "Built Around You" brand promise, guiding every aspect of our operations.

Despite the challenges posed by the higher interest rate environment and an unstable global economy in FY2023, we forged ahead and embraced the opportunity to excel while prioritising the financial well-being of our customers. Although the country is in the endemic stage, HLB continued to provide various forms of financial assistance to individuals, SMEs and corporate customers through the Payment Relief Assistance Plan ("PRAP") and offered restructuring and rescheduling plans. For customers affected by the floods in 2023, we mobilised a Flood Relief Assistance programme that included a six-month payment deferment of instalments on loans and financing and credit cards for all affected customers, as well as additional financing for working capital for SMEs and microenterprise customers.

In the year under review, we continued to pay close attention to the SME sector, which accounts for 98.5% of all business establishments in Malaysia and contributes to 48% of employment in the country. As a financial institution known for our close ties to the SME sector, we feel a strong affinity with SMEs, and work together to help them grow, scale and modernise their business practices. In the era of digitalisation, the growing popularity of going cashless and mobile transactions in daily life has highlighted the need for our SMEs to be digitally empowered and enabled.

This is where our "Digital at the Core" ethos comes to life with the support we give our SME customers through various initiatives to help them integrate digital strategies and solutions to drive greater growth and strengthen their competitive edge.

Digitalisation Momentum Continues to Strengthen

Throughout this fiscal year, our efforts have been directed towards enriching the customer onboarding process, facilitating seamless payment experiences, and fostering enhanced digital engagement opportunities with the Bank for both retail and business customers. Additionally, we have expanded our reach across the regional markets we operate in, aiming to provide greater accessibility, transparency, and convenience to a wider audience.

Embracing a Digital Future by Empowering a Cashless Society

HLB is actively driving the development of an integrated financial ecosystem that prioritises seamless digital payment experiences to enable the transition towards a cashless society. The widespread acceptance of DuitNow QR codes, mobile banking apps, and mobile wallets has propelled mobile payments as one of the preferred methods of conducting payment transactions. In further accelerating this transition to a cashless society, we introduced support for the Google Wallet app on our cards in November 2022.

To date, 65% of our Android platform customers enjoy easy, safe and secure payment experiences as we continue to expand our connectivity to payment networks across Southeast Asia. As one of the pioneering banks offering cross-border QR capabilities on our mobile banking app, our customers can conveniently make payments in Singapore, Thailand, and Indonesia, further enhancing their overall banking experience.

Our collaboration with the Cambodian Central Bank continues with the integration with Bakong, enabling instant fund transfers and payment transactions. Since the launch of the initiative last year, we have recorded a remarkable 91% increase in payments. Our CASA customers are also able to perform real-time fund transfers between other Bakong member banks both in USD and KHR currencies. In addition, they are able to utilise QR-based payments at local banks' merchants through the Bakong wallet, and conveniently deposit or withdraw cash at any member bank's location. These advancements in Cambodia have brought greater accessibility and flexibility to our customers, while driving sustainable growth in digital transactions.

Meanwhile, in Malaysia, we launched community-based programmes such as "Project Cashless Kampung" and "HLB@School" with the aim to help communities benefit from digital and financial inclusivity, ultimately contributing to increase digital banking adoption across the nation. During the year under review, we continue to provide support to our "Project Cashless Kampung" in Sekinchan by helping 1,486 residents open bank accounts, obtain debit cards and connect with the Bank digitally. In addition, over 258 businesses are now furnished with our HLB DuitNow starter kit, which includes a DuitNow QR Code and the versatile All-in-One Payment Terminal, enabling seamless and contactless transactions for the entire community. In line with our ESG principles of addressing the digital divide between

1 ANCHORING ON "BUILT AROUND YOU"

urban and non-urban areas, our initiative has already generated positive impact with vendors experiencing increased sales while customers are empowered to make transactions without concerns of cash availability.

We continue to invest in building the cashless ecosystem through our HLB@School programme. With the programme, we have had much success in transforming schools into cashless ecosystems with the Bank's All-in-One Point of Sale ("POS") terminal and providing students with cashless payment and digital banking tools, empowering them to make digital transactions securely. Students opening accounts also gain access to the HLB Pocket Connect App for tracking spending and engaging in sustainability tasks, while parents can conveniently monitor and manage their children's accounts through the HLB Connect online and mobile banking platform. With 75 schools successfully on-boarded and integrated into this transformative cashless programme, we are making a lasting impact on the financial well-being of our future generations.

Powering Business Success with Enhanced Onboarding Experience

At HLB, we invest considerable resources in reimagining the customer journey to prioritise efficiency, convenience and inclusivity. One of our top priorities in recent years has been on improving the onboarding process for both our retail and business banking customers. Our in-house developed iPad solution has proven to be an invaluable tool in this regard, empowering our colleagues to efficiently onboard customers at their location of choice and beyond traditional branch hours. Today, the iPad solution contributes to 76% of the retail account opening process, making it a major onboarding channel.

This year, we have gone one step further as we recognise the unique complexities present within the businesses of our corporate and SME customers. Consequently, we made a multitude of enhancements to the iPad onboarding solution to cater to diverse business needs.

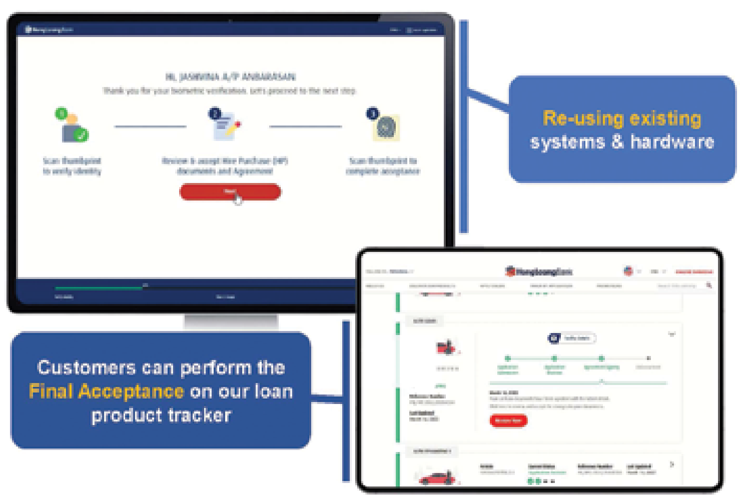
For example, key enhancements this year include the ability to verify multiple signatories in different sessions and provide editable Ultimate Beneficial Owner ("UBO") information for entities with complex structures. Furthermore, we now accept the onboarding of businesses in East Malaysia that are registered with local City Councils, ensuring inclusivity across regions and a wider range of businesses. We have also broadened account opening capabilities to include more account types with the aim of providing greater flexibility and choice. With these enhancements in place, we have seen steady growth in new digital accounts, which increased by 25% y-o-y. Today, 92% of all new business customers are on-boarded digitally.

Moving ahead, we have several upgrades and enhancements in the pipeline to further improve the onboarding of customers, offering options beyond the normal branch visit to complete their journey. The upcoming launch of Electronic Know-Your-Business ("e-KYB") will create a full end-to-end account opening journey for SME customers who will be able to instantly open a current account via Hong Leong Bank's website by submitting an account opening board resolution.

Invigorating the Customer Banking Journey at HLB with "Always On" Services

Adding to our efforts of making the onboarding journey easier, we are now the first and only bank in Malaysia to enable the digital acceptance of auto loans. Launched in July 2022, the eAcceptance feature allows customers to conveniently accept loan applications on the go, reducing the reliance on sales agents and streamlining the overall customer experience. This enhancement aligns with our sustainability objectives of reducing our reliance on paper documents, resulting in cost savings and a reduced carbon footprint. We are proud

Paperless Acceptance: The first bank in Malaysia to enable eAcceptance of Auto Loan, available anytime, anywhere



of this achievement as it puts us ahead of the industry in the context of the Consumer Credit Oversight Board indicating their intention to enable digital acceptance for auto loans in 2025. Notably, we have already achieved an impressive 64% adoption rate for this "industry first" capability.

Further extending our efforts across the region, in February 2023, we achieved a proud milestone in Singapore by seamlessly integrating the Singapore Digital ID, Singpass, into our HLB Connect platform. This integration has revolutionised the customer journey, allowing for swift registration and account resets in a matter of minutes instead of the 24-48 hours required in the past. By eliminating the need for temporary IDs and introducing the Singpass login, it has also reduced complications in accessing HLB Connect, resulting in an 88% reduction in monthly customer calls related to registration.

In addition, we are meeting the growing customer preference for greater transparency in their dealings with us and as such, we have successfully integrated the Product Tracker feature into our retail banking platform. The Product Tracker was first developed in 2021 and enables customers to monitor the status of their product application ranging from credit cards, personal loans, auto loans and mortgages. The integration of the Product Tracker provides easier access for our existing retail customers to find out about the status of their applications. This tool has been well-received as we have witnessed a significant increase in usage by 50% y-o-y across all borrowing products.

Staying Engaged with our Customers through Self-Directed Support & Services

With digital services now the norm in the post-pandemic era, HLB has capitalised on this opportunity to roll out new digital-first features to engage with our customers. For instance, we acknowledge the importance of providing personalised support to customers especially when they are on the move. Thus, we introduced real-time chat support in July 2022 through our Connect Mobile Banking app. By authenticating our customers digitally, assistance can be provided instantly instead of being delayed by manual identification and verification processes. Our customer service personnel are equipped to handle up to four chats concurrently, which is a significant improvement in productivity over the conventional call centre model. In less than 12 months since its launch, the successful resolution of queries has exceeded 70%, proving that it is an effective channel for seeking assistance, further enhancing the overall customer journey.

On top of that, in May 2023, we introduced an exciting new feature on our HLB Connect internet banking platform - online Unit Trust investing. This digitalisation initiative aims to make investing more accessible to all our existing customers. Our customers can now easily perform customer risk profiling and invest in unit trusts with as little as RM50 on our platform. We have more capabilities planned for the next year including providing a portfolio dashboard, enabling regular saving plans, and allowing cross fund house switching. Our goal is to continuously enhance the investing experience and empower our customers with greater control over their financial future.

Expanding our regional footprint, we launched HLB Connect Singapore Mobile Banking in December 2022. This mobile-first banking solution offers a comprehensive suite of services that can be accessed on-the-go. With this innovative mobile app, customers can conveniently manage their CASA fixed deposit, loan accounts, add favourite payees, perform immediate and scheduled transfers, activate emergency locks for HLB Connect and CASAs, and authorise online banking transactions using two-factor authentication Digital Tokens. Our mobile-first approach ensures that our customers have the flexibility and convenience to manage their finances and access our services anytime, anywhere.

Fortifying Security in the Digital Age

Banks face significant challenges due to the increasing prevalence of scams and fraudulent activities and as technology advances, malicious actors become more adept at exploiting vulnerabilities. To effectively combat fraud and enhance our surveillance capabilities, we have implemented robust risk mitigation measures leveraging technology and data analytics across borders. Our advanced fraud monitoring system utilises sophisticated algorithms and machine learning to identify, detect and promptly alert us to any suspicious activity or patterns in real-time, enabling us to take immediate action against potential threats. Additionally, we are committed to raising awareness and promoting vigilance among our customers by providing them with essential knowledge and practical guidance on common fraud schemes through informative pop-ups, educational sessions, targeted communications, and monthly campaigns. By empowering our customers with the necessary tools and information, we enable them to proactively protect themselves and engage in secure banking practices.

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2 DEVELOPING WORLD CLASS LEADERSHIP AND TALENT POOL

At HLB, we remain dedicated to effective talent management throughout the employee lifecycle as a key driver of our people agenda. In the past year, we have focused on building depth, reinforcing existing initiatives, reviewing our approaches, and introducing new initiatives where opportunities arise.

To attract top talent and build a strong pipeline, we have expanded our outreach efforts to academic institutions in Malaysia and abroad. We have refined our graduate recruitment approach, establishing partnerships with selected universities to nurture talent pipelines. Online and offline recruitment methods, supported by our social media presence, have been instrumental in engaging and hiring graduate talent.

Employee engagement has been a priority for us, and we have fostered deep connections with our workforce through meaningful career conversations, transparency, and timely communication. Every employee undergoes a structured performance management cycle, ensuring clarity regarding their goals and deliverables, and providing managers with platforms to deliver timely feedback.

Within this performance management framework, we emphasise the growth and development of our employees in their chosen career paths. While we are committed to providing learning opportunities, we encourage employees to take ownership of their own development, guided by our 70:20:10 Learning Framework (70% On-the-Job Learning, 20% Learning from Others, 10% Structured Learning).

Professional development is a cornerstone of our learning approach and we support the development of our employees in their respective fields of expertise through various initiatives, including on-the-job learning, mentorships, and classroom or structured learning/certification via the 70:20:10 Learning Framework. Sustainability training is a vital aspect of our approach, with the introduction of e-learning modules developed in collaboration with World Wide Fund for Nature ("WWF").

We strive to offer employees opportunities to explore various career paths within the organisation. Monthly career coaching sessions have been instrumental in building aspirations and facilitating career progression. Additionally, we prioritise managerial effectiveness through structured programmes like the HLB Leaders Programme and on-the-job training, ensuring alignment with the Bank's mission, values, and business objectives.

This year, our employee engagement initiatives have been designed to achieve specific outcomes. We aim to enhance employee skills, nurture aspirations, and support their career journeys within the Bank. We have also placed increased focus on promoting physical and mental well-being and fostering a sense of community through reimagined digital and physical touchpoints. Employee feedback continues to be the basis for the shaping of a conducive place to work. With this in mind, we relaunched the employee engagement survey, My Thoughts, Our Future, to continue seeking employee points of view on a range of topics from rewards and recognition to health and wellbeing and more, to build a meaningful workplace. 7,872 employees participated in the survey, representing 93% of the Bank's employee population.

3 SEEKING NEW ENGINES OF GROWTH

At HLB, we remain fully committed to delivering value to our stakeholders over the long term by seeking out new engines to ensure a sustained growth momentum. Across ASEAN, we possess numerous growth levers that we have tapped on, and we are consistently identifying new opportunities and areas of the business to expand. Broadly, we are firmly focused on driving growth through our SME and Wealth portfolios, as well as other segments within our retail franchise.

An important component will be the establishment of a robust sales and service culture, underpinned by an in-depth understanding of our customers and their wallet sizes, as well as leveraging on our branch networks to cross-sell effectively. Furthermore, through our robust digital infrastructure and innovation DNA, we can deliver new opportunities and services to our customers at a quicker pace, thus ensuring that we stay ahead of the market. By meeting the needs of our customers in a relevant and seamless way, and therefore echoing our "Built Around You" brand promise, we are thus creating value for the business and our stakeholders.

In the year under review, our Regional Wealth Management ("RWM") team, which covers Malaysia and Singapore, recorded robust growth, capitalising on opportunities in Fixed Income, Foreign Exchange ("FX") and Bancassurance products. Our Islamic product suite also continued to expand , driving a multifold increase in revenues across Structured Products and Bancassurance.

Leveraging on our digital strength to deliver greater convenience and to foster greater engagement, RWM added new features to HLB's Connect platform enabling customers to transact their Unit Trusts online. Beyond this, the new features will provide a range of relevant information to empower customers to make informed decisions surrounding the management of their wealth. In addition, we are actively shifting the conversation with our clients to focus on their portfolio investing needs as a way to drive greater engagement.

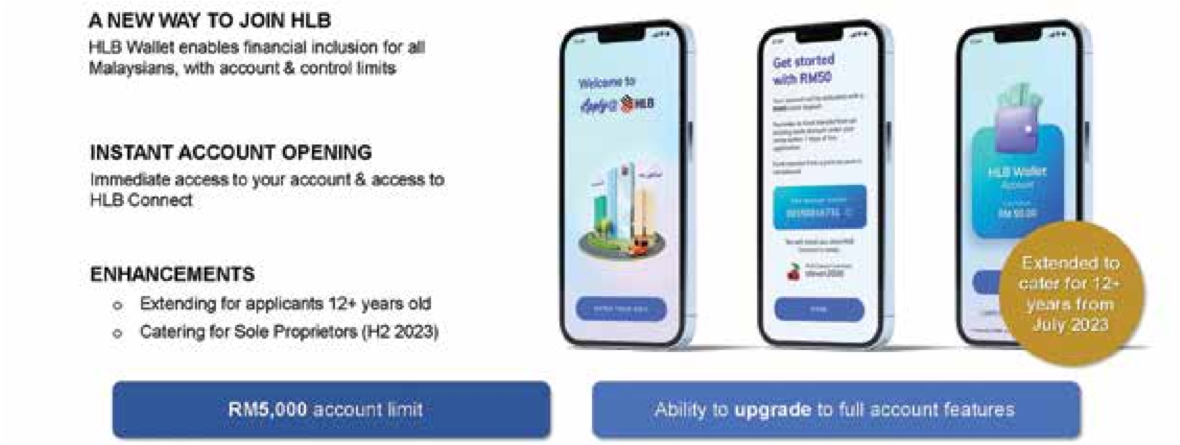
For our retail customers, we are progressively making it easier for them every year to sign up for financial products through Connect while offering new capabilities to make their payments experience more seamless. For instance, in FY2023, we launched our cross-border QR capability on Connect, which will allow customers to effortlessly make payments to merchants in Thailand, Indonesia, and Singapore.

In January 2023, we introduced HLB Wallet, a new digital banking proposition available through Apply@HLB. The e-wallet offers ease and convenience as customers can now instantly open a bank account in minutes and on the go, with account and control limits in place. Setting itself apart from other e-wallets, HLB Wallet offers the unique advantage of a multi-currency option that provides the benefit of instant cashback rewards for selected transactions. While the HLB Wallet offering will help contribute to CASA growth, it is also enabling us to be more inclusive as it improves access to banking and financial services for the unbanked population in Malaysia.

Group Managing Director/Chief Executive Officer's Review

3 SEEKING NEW ENGINES OF GROWTH

Through our Business and Corporate Banking ("BCB") team, we relentlessly support the SMEs in Malaysia. We have continued to provide relevant products and financing programmes, improved access to financing and facilitated an ecosystem for SMEs to enhance their sustainability practices. One of our key initiatives this FY2023 has been the introduction of a faster and more inclusive onboarding process that now accepts sole proprietors.



To complement this journey, we launched the data-led Web Product Recommender tool on our business corporate website in January 2023. By leveraging customers' responses to a questionnaire, the feature provides personalised product recommendations, enabling businesses to make informed decisions swiftly. This solution only requires one application for multiple products, which simplifies and speeds up the entire process. Since its launch, businesses have successfully applied for over 3,000 products via the BCB web product recommender. With approximately 2,500 monthly users and a 55% questionnaire completion rate, the feature has proven its value in guiding businesses to their desired products efficiently.

Further to this, we created a dedicated Cash, Trade and Foreign Exchange team to provide SMEs trade financing, cash management, and FX services, ensuring that we are comprehensively meeting their needs. Our Islamic arm also has an ongoing partnership with the SME Corporation to provide financing to SMEs and recently partnered with SJPP to facilitate a new MicroSME financing programme. As a result of these and many other SME-focused initiatives, our SME loan/financing portfolio grew 9.7% y-o-y to RM33.0 billion while our community banking initiative, within the SME segment, maintained a solid 13.2% y-o-y.

4 EXPANDING THE BANKING ECOSYSTEM THROUGH PARTNERSHIP AND FINANCIAL INCLUSION

The dynamic financial landscape, coupled with the widespread adoption of digital banking has brought forward societal inequalities and, in some instances, amplified the matter. As a responsible financial institution, we recognise the imperative of cultivating an inclusive banking ecosystem that caters to the diverse needs of our community and we continue to focus on creating positive social impact for our stakeholders.

Our financial literacy programme, HLB DuitSmart, imparts simplified content about financial literacy to all Malaysians. In 2023, 1,567 students were engaged through this initiative and we ran our gamified financial literacy workshops for 14 primary, secondary, and tertiary institutions, both physically and online. In addition, we rolled out tailor-made financial literacy workshops with members of the Orang Asli community, in line with our goal of overcoming inequalities and empowering the underprivileged to take control of their own finances. Our financial literacy contents are now accessible to the visually impaired as we created both audio and Braille versions.

As part of our efforts to improve financial literacy, HLB is committed to protecting our customers and aggressively combating financial fraud via comprehensive protective measures and awareness initiatives. Alongside existing multi-layered security, the Bank has activated an Emergency Lock for both online and mobile banking platforms, which allows customers to manually restrict activity on their bank accounts if and when they suspect it has been compromised. The Bank also introduced a "Cooling Off" Period, where customers can stop or reverse suspected fraudulent activity in their accounts within a certain period of time.

To foster greater awareness, we regularly publish financial literacy and scam awareness content on our social media, as part of our HLB DuitSmart platform, to reach a wider audience. In the past financial year, we have produced 11 bite-sized episodes, garnering 3.42 million views and a reach of 1.82 million.

HLB works with various partners to support the circular economy finance and aims to drive positive change and contribute to a more sustainable future. We are passionate about investing in social enterprises and guiding them towards creating a bigger impact in their communities.

Through our CSR platform, HLB JumpStart, we work closely with five social enterprises to drive community development by providing them with tools and means to run a viable and resilient enterprise. We are committed to guiding and developing these businesses towards growth, expansion and sustainability.

Last year, Benak Raya Enterprise, which was our fifth on-boarded social enterprise, experienced a 114% increase in sales since its inception and started operating on their new website that the Bank helped develop. The Bank customised gift sets for the media in conjunction with Hari Gawai 2023 with products procured from Benak Raya, facilitating a circular economy and promoting social procurement across all avenues.

In addition to empowering social enterprises, HLB JumpStart organised two major initiatives that helped promote and market the social enterprises we engage with. Our Sustainability Month Bazaar in April 2023 saw the involvement and participation from four social enterprises, where our employees could purchase sustainable products. We also organised the HLB Jumpstart 2.0 Workshop, a three-day crash course involving seven social enterprises and one non-governmental organisation, covering topics ranging from scam awareness, data science, and sustainability.

Fostering a Culture of Giving through Volunteerism

The Bank encourages our employees to be active members of the community who are passionate and equipped to give back to society. Throughout the past financial year, our employees have contributed their efforts and finances to welfare homes across the country. For instance, we brought festive cheer during the Chinese New Year and Deepavali celebrations by donating a collective 332 meals and spring-cleaned 33 homes involving 181 volunteers.

In addition, we embarked on our second collaboration with the Financial Industry Collective Outreach ("FINCO"), by organising a book donation drive where we filled the libraries of 37 schools across the country. In total, we managed to collect 6,193 pre-loved books for the various schools, with Perpustakaan Awam Bintangor, Sarawak contributing 4,360 books.

Fifth on-boarded social enterprise
Benak Raya Enterprise

+114%

SALES SINCE INCEPTION

5 STEPPING UP SUSTAINABILITY AND ESG ADVISORY CAPABILITIES TO BENEFIT OUR CLIENTS

Sustainability remains a cornerstone of all that we do, and we continue to make meaningful progress in our sustainability journey. For instance, we continued to expand the scope of our ESG practices to encompass our overseas operations, and enhance our Scope 3 disclosures to better align them with best practices. We are also exploring how we can better meet the disclosure requirements and recommendations of the Task Force for Climate-related Financial Disclosures ("TCFD") to maintain our position as an ESG leader among Malaysian corporates.

I would like to state here that our ESG efforts have not been limited to simply improving our ESG reporting and checking off boxes. Indeed, the Bank has been taking substantial steps forward in terms of reducing the size of our carbon footprint, to the point where we have already reached our Scope 1 and 2 targets of a 15% reduction in emissions in FY2023, three years ahead of our 2026 target year. Meanwhile, we continue to enhance our green financing targets in a bid to accelerate our nation's transition into a low carbon economy.

Additionally, we continue to play an active role in leading and steering the sustainability conversation through our participation in various sub-committees under the Joint Committee for Climate Change ("JC3"), as well as in BNM's Climate Change and Principles-based Taxonomy ("CCPT"). As a member of the CCPT Implementation Group, we strive to ensure that the provisions of the CCPT are seamlessly adopted by the banking fraternity. As part of this process, we have started assessing our sustainability implementation strategies as guided by BNM's Climate Risk Management & Scenario Analysis ("CRMSA") Discussion Paper.

We have also embarked on a project to identify and assess the flood risk of our collaterals and assets to help us better understand the proportion of our portfolio that are vulnerable to extreme weather conditions such as flooding. This exercise will also ensure that we are operationally prepared to manage the associated physical risk.

Expanding Boundaries and Improving ESG Practices

This year, we improved our Scope 3 disclosures by adding Category 7: Employee Commuting and Category 13: Downstream Leased Asset. Category 7 is a disclosure requirement under Bursa Malaysia's Sustainability Reporting Guideline and TCFD, while Category 13 is meant to address instances of double reporting now that all our tenants are disclosing their GHG emissions.

We have included operational and business travel emissions from our branches in Hong Kong and Singapore in FY2023 and we plan to include our Cambodia and Vietnam subsidiaries in FY2024. As part of the TCFD Stretch Recommendation, we are assessing the carbon emissions for Scope 3: Category 15 which is Investment/Financed Emission on our Corporate Banking Project Financing, Mortgage Financing and Auto Loan Financing portfolios.

In terms of operating sites, we managed to complete all the Energy Efficiency & Conservation ("EE&C") Measures for Hong Leong Tower and PJ City Tower A. We also installed solar panels on the rooftop of our PJ City Tower A building and are currently upgrading and retrofitting our branches with energy efficient air conditioning systems and LED light fittings. As the upgrading and retrofitting works were implemented in phases throughout the year, we will only see the optimum energy savings for these measures in the next financial year.

In March 2023, our Data Centre in Hong Leong Tower was officially certified as a Green Computing Facility with a Titanium+ certification from Green Climate Initiative ("GCI").

In respect to the Mangrove restoration project held in collaboration with the Malaysian Nature Society ("MNS"), the plantation of 50,000 mangrove trees has been completed as at the end of April 2023 at the Kuala Selangor Nature Park. To determine the success of the project, we appointed a leading ESG consultant to perform independent assurance and verification of the outcomes. The outcomes were reported back to us and we are satisfied with the results of the project.

Externally, we have continued engaging our customers and stakeholders through the Hong Leong Bank Sustainability Roundtable series of discussions on the latest developments in the ESG world. Our tenth roundtable, organised in collaboration with the Small and Medium Enterprises Association ("SAMENTA"), carried the theme of 'Building Competitiveness with Green Supply Chains'. HLB will continue to organise this roundtable series to serve as a platform to foster networking, collaboration, and knowledge-sharing of ESG best practices among participants.

Enhancing Our ESG Targets and Goals

We have continued to set targets to grow our green financing portfolio as we seek to amplify the momentum and support for the transition to a low carbon economy. For our corporate customers, we have now approved close to RM3.2 billion of financing for the renewable energy sector, predominantly for the solar segment of renewables. We have set a new target of RM4.2 billion by FY2025. Meanwhile, in line with the strong government and ecosystem support for EV and hybrid cars, our financing for EV and hybrid cars has exceeded our disbursement target of RM240 million in FY2023, settling at RM429 million as at the end of FY2023.

Our HLB Earth Hero digital initiative, which ties financial literacy tasks to the reforestation of the Lower Kinabatangan area in Borneo, continues to see sustained momentum as we planted another 2,500 trees. This has brought the total trees planted to 5,000 since the programme started in 2021 and we aim to plant another 2,500 trees in 2023.

I am pleased to report that the Bank remains a constituent of the FTSE4Good Bursa Malaysia Index, making this the sixth consecutive year where we have been part of the ESG index. Our score continues to improve every year, and our score of 3.9 in 2023 places us comfortably ahead of the banking sector average. We have also maintained our "A" rating in the MSCI Global Sustainability Indexes and further improved our above industry-average score in the S&P Global Corporate Sustainability Assessment to place in the 87th percentile within the banking industry. Sustainalytics, a leading independent ESG and corporate governance research firm, has categorised the Bank as 'low risk', placing us ahead of our banking peers.

RM3.2
billion
APPROVED RENEWABLE ENERGY FINANCING

For further information about our sustainability practices, please refer to the Sustainability Statement in this Annual Report on page 83. The statement summarises our Sustainability Report 2023 that details our strategies and achievements, guided by local and international reporting and disclosure standards such as the Global Reporting Initiative ("GRI") Standards, the Bursa Malaysia Sustainability Reporting Guide, the TCFD Application Guide for Malaysian Financial Institutions and the IFRS S1 and S2 standards released by the International Sustainability Standards Boards ("ISSB").

FINAL REMARKS

While there remains some uncertainty regarding the global economic outlook, we continue to be cautiously optimistic regarding the opportunities present in Malaysia. Prospects of resiliency in domestic demand are expected to help cushion external headwinds and uncertainties in the global financial markets. While geopolitical risks and banking turmoil appear contained for now, lingering recession risks among the major economies will continue to cloud the global growth outlook going forward.

As the new Group Managing Director, I have taken the important step of calibrating our five broad strategic priorities to ensure a sharper focus in producing meaningful outcomes for our customers and people, as well as technological advancement. However, I would like to highlight that even as we direct our resources towards enhancing our capabilities, we will remain steadfast in our prudent approach towards managing our risks.

We are committed to anchoring on our brand promise of "Built Around You", where customers are at the centre of everything we do. Internally, we are looking at ways to optimise the time we spend on our operations to ensure that we are spending as much time as possible with our customers. Aided by our robust digital and innovation capabilities, we will continue to elevate and reimagine the customer journey for a more seamless and relevant experience.

We believe that to be a world class bank, we need to have world class talent. This is where our human capital practices will take centre stage to strengthen both our talent pool and practices so that we can compete with the best in the world, especially at our regional outposts. I believe that we have the ecosystem that is both wide and deep enough to nurture a strong cadre of banking professionals to lead this charge.

To build a strong ASEAN franchise we need new engines of growth. SME and Wealth Management will be our top priorities, as well as capturing opportunities from the Johor-Singapore special economic zone, amongst other transformative programmes that we will soon undertake. In this context, I will be establishing a special office to oversee these transformation projects to ensure timely implementation and correct execution, in addition to personally overseeing key projects that are set to have a lasting impact on our business and operations.

As the banking landscape becomes even more competitive especially as digital banking license holders start to operationalise their businesses, it has become even more crucial to form new strategic partnerships. Our digital expertise will also continue to hold us in good stead and give us a competitive advantage in better understanding our customers' needs and markets.

We recognise that the ESG agenda continues to feature prominently in the corporate landscape and we are ahead of the industry in this regard in the adoption of practices as well as in the management of our ESG risks. We will not rest on our laurels however and will work towards further enhancing our own internal ESG strategies and practices, while working with our stakeholders to ensure that the entire ecosystem progresses together.

OUTLOOK

Looking towards the future, while a slowdown is inevitable and the possibility of a recession in major Western economies cannot be completely ruled out, recent resilience, particularly in the US economy, has raised hopes of a soft landing. This, combined with the persistence of core inflation, indicates that interest rates will remain elevated for an extended period, with any potential rate cuts being carried out at a more measured pace. We anticipate the first US rate cut in the first half of 2024.

In Malaysia, the economy is projected to follow a steady and moderate growth trajectory, supported by further recovery in tourism activities and resilient domestic consumption. The healthy labour market and easing inflationary pressures are expected to sustain domestic demand. As a result, Bank Negara Malaysia ("BNM") is likely to maintain the Overnight Policy Rate ("OPR") at a slightly accommodative level of 3.00% to support economic growth, despite the potential for a global easing cycle.

ACKNOWLEDGEMENTS

I am delighted to share that despite the challenges we encountered this year, we have made significant progress and achieved solid results. I want to extend my heartfelt gratitude to all those who stood by our side during these testing times.

To our esteemed Board of Directors, I want to express my gratitude for your exceptional leadership and invaluable guidance that proved instrumental throughout the various challenges we faced this year. Moreover, I would like to convey a special thanks to all the dedicated employees and the management team of the Bank. Your passion and commitment has put us on a strong footing to take on our next phase of growth and I look forward to working together with all of you in the days to come.

I would like to extend our thanks to our shareholders for their unwavering belief in our capacity to create sustainable long-term value. To our esteemed customers, I want to express our deepest appreciation for your unwavering loyalty and trust in our ability to deliver.

A sincere expression of gratitude is also due to Bank Negara Malaysia, the Ministry of Finance, government agencies and regulatory authorities. Your invaluable guidance and support have played a vital role in enabling us to achieve our vision and navigate the complex financial landscape.

KEVIN LAM
Group Managing Director/
Chief Executive Officer

19 September 2023

Management Discussion & Analysis

FINANCIAL REVIEW

1 FINANCIAL HIGHLIGHTS

PROFIT AFTER TAX
RM3.8 billion
+16.1% Y-O-Y

TOTAL INCOME
RM5.7 billion
+1.6% Y-O-Y

RETURN ON EQUITY
11.8%

COST-TO-INCOME RATIO
39.3%

GROSS IMPAIRED LOAN RATIO
0.57%

LOAN IMPAIRMENT COVERAGE RATIO
168.8%

GROSS LOANS / FINANCING
RM181.7 billion
+8.0% Y-O-Y

DEPOSITS
RM211.7 billion
+7.3% Y-O-Y

CASA RATIO
30.8%

TOTAL CAPITAL RATIO
15.9%

SUMMARY OF GROUP PERFORMANCE

	FY2022	FY2023	Growth %
Profitability & Efficiency (RM'million)			
Total Income	5,597	**5,686**	1.6%
Operating Profit	3,499	**3,452**	-1.3%
Profit Before Tax	4,367	**4,627**	6.0%
Profit After Tax	3,289	**3,818**	16.1%
Earnings Per Share (sen)	161	**186**	15.5%
Net Interest Margin	2.14%	**1.98%**	
Cost-to-Income Ratio	37.5%	**39.3%**	
Return on Assets	1.34%	**1.43%**	
Return on Equity	10.9%	**11.8%**	
Balance Sheet (RM'million)			
Total Assets	254,331	**279,850**	10.0%
Gross Loans, Advances and Financing	168,234	**181,677**	8.0%
Customer Deposits	197,292	**211,652**	7.3%
Asset Quality			
Gross Impaired Loan Ratio	0.49%	**0.57%**	
Loan Impairment Coverage Ratio	212%	**169%**	
LIC Ratio (provisions made on GIL and security value)	282%	**239%**	
Liquidity and Capital Ratios			
Loan-to-Deposit Ratio (include IA and SRF)	83.5%	**84.3%**	
Common Equity Tier 1 Capital Ratio	13.4%	**12.8%**	
Tier 1 Capital Ratio	14.5%	**13.9%**	
Total Capital Ratio	16.7%	**15.9%**	

Management Discussion & Analysis

FINANCIAL REVIEW

2 FY2023 KEY PERFORMANCE INDICATORS (KPIs)

TARGET FY2023		ACHIEVED FY2023
~7%	Gross Loan Growth	8.0%
~2.00%	Net Interest Margin	1.98%
≤38%	Cost-to-Income Ratio	39.3%
~0.60%	Gross Impaired Loan Ratio	0.57%
~10 bps	Net Credit Cost	6 bps
>12.0%	Return on Equity	11.8%
>30%	CASA Mix	30.8%

On the back of solid fundamentals, the Bank was able to deliver a set of commendable results despite the headwinds in the second half of FY2023.

- Loans growth momentum picked up to 8.0% y-o-y driven by the expansion in our key segments of mortgages, SME and commercial banking, as well as overseas operations.
- Faced with elevated funding cost pressure for most part of the financial year, we have been prudently managing our NIM, to deliver at 1.98% for FY2023.
- We continue to manage our expenditures prudently and drive strategic cost management initiatives to achieve a sustainable CIR ratio of 39.3%.
- Asset quality position of the Bank remained healthy with a GIL ratio of 0.57%, below our guidance of circa 0.60%. Accordingly, net credit cost for FY2023 was at 6bps, well within our guidance.
- Navigating through the challenges faced during the year, ROE for FY2023 was commendable at 11.8% attributed to the solid fundamentals and business performance.
- CASA ratio came in better than guidance at 30.8% driven by our cash management solutions and community acquisition initiatives.

3 GUIDANCE FOR FY2024

ANCHORING ON OUR SOLID FOUNDATION TO DELIVER SUSTAINABLE OUTCOMES THROUGH COMMITTED EXECUTION OF ALIGNED STRATEGIC PRIORITIES

- **Strong loan/financing growth momentum of 6% to 7%**
- **NIM in the region of 1.8% to 1.9%**
- **Sustainable CIR ratio of <40%**
- **Uphold GIL ratio <0.70%**
- **Net Credit Cost of ~10bps**
- **Continue to drive CASA with a mix of >30%**
- **Robust ROE of ~12%**

- Moving forward, we believe that our solid foundation coupled with strategic and tactical plans in seeking new engines of growth while upholding solid asset quality, would provide reasonable momentum to deliver sustainable outcomes to our stakeholders.
- For FY2024, the Bank strives to maintain strong loan/financing growth momentum of 6% to 7%, without compromising on asset quality with a GIL ratio of below 0.70%. At the same time, we will intensify our CASA acquisition efforts to sustain CASA mix at above 30%.
- Management guidance for NIM is in the region of 1.8% to 1.9%, a sustainable CIR ratio of below 40% and net credit cost of approximately 10 bps. With this, we expect to achieve a robust ROE of around 12% for the next financial year.

Management Discussion & Analysis

FINANCIAL REVIEW

4 INCOME STATEMENT ANALYSIS

INCOME STATEMENT SUMMARY

RM' Mil	FY2022	FY2023	Change % (YoY)
Total income	5,597	**5,686**	1.6%
Operating expenses	(2,098)	**(2,233)**	6.4%
Operating profit before allowances	3,499	**3,452**	-1.3%
Allowances for loans and other impairments	(163)	**(115)**	-29.3%
Profit before associates contribution	3,336	**3,337**	0.0%
Share of profits from associates	1,030	**1,289**	25.1%
Profit before tax	4,367	**4,627**	6.0%
Profit after tax	3,289	**3,818**	16.1%

Total income for FY2023 recorded a 1.6% y-o-y growth to RM5.7 billion, attributed to healthy loan/financing growth and improved non-interest income contribution. We remained disciplined in managing our operating expenses, which stood at RM2.2 billion for FY2023.

For FY2023, the Bank had a lower loan and other impairment allowances of RM115 million, translating to net and gross credit cost of 6bps and 19bps respectively. Accordingly, profit before associates contribution was flat y-o-y at RM3.3 billion.

Profit contribution from our overseas associates remained robust, improving 25.1% y-o-y to RM1.3 billion. This performance led to a 6.0% y-o-y growth of the Bank's PBT in FY2023 to RM4.6 billion while PAT grew 16.1% y-o-y to RM3.8 billion.

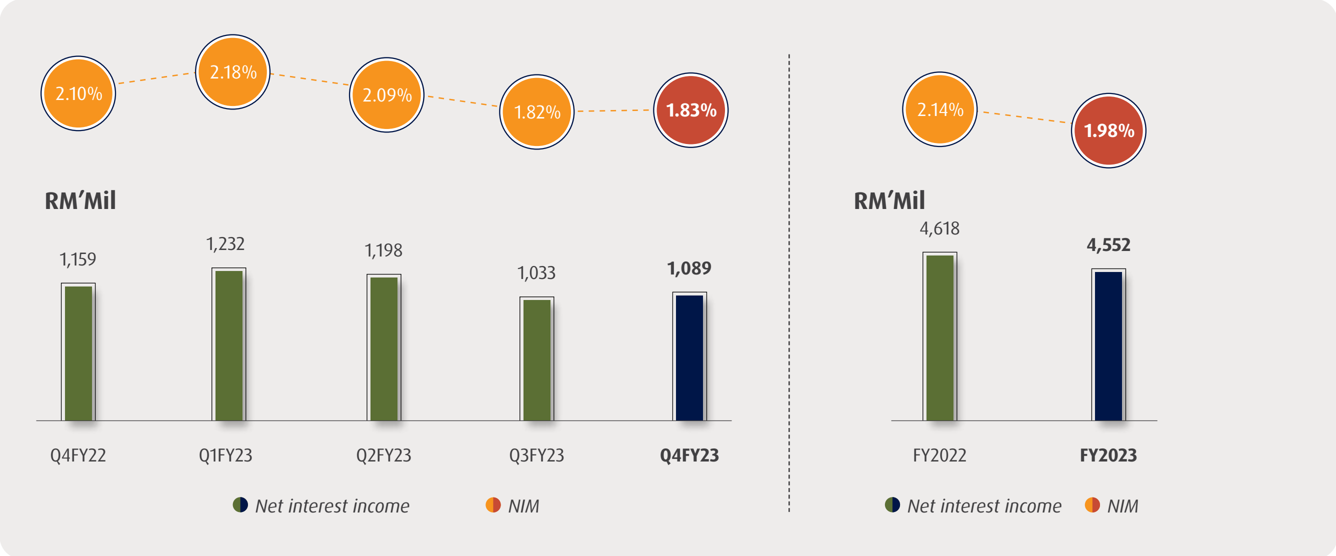
A) Net Interest Income

For FY2023, NIM came under pressure with the heightened cost of funds arising from banks striving to comply with the Statutory Reserve Requirement ("SRR") followed by elevated deposit competition. Thus, NIM moderated to 1.98% while net interest income stood at RM4.6 billion.

Interest income increased 32.6% y-o-y to RM9.7 billion for FY2023, driven by loan/financing growth momentum coupled with higher yields from the Overnight Policy Rate ("OPR") hikes. Intense deposit competition in both retail and wholesale space for most of the financial year has resulted in higher cost of funds for the Bank. Thus, interest expense grew at a faster pace to RM5.1 billion for FY2023.

NIM has begun to stabilise in the fourth quarter and we expect this trend to continue into the new financial year.

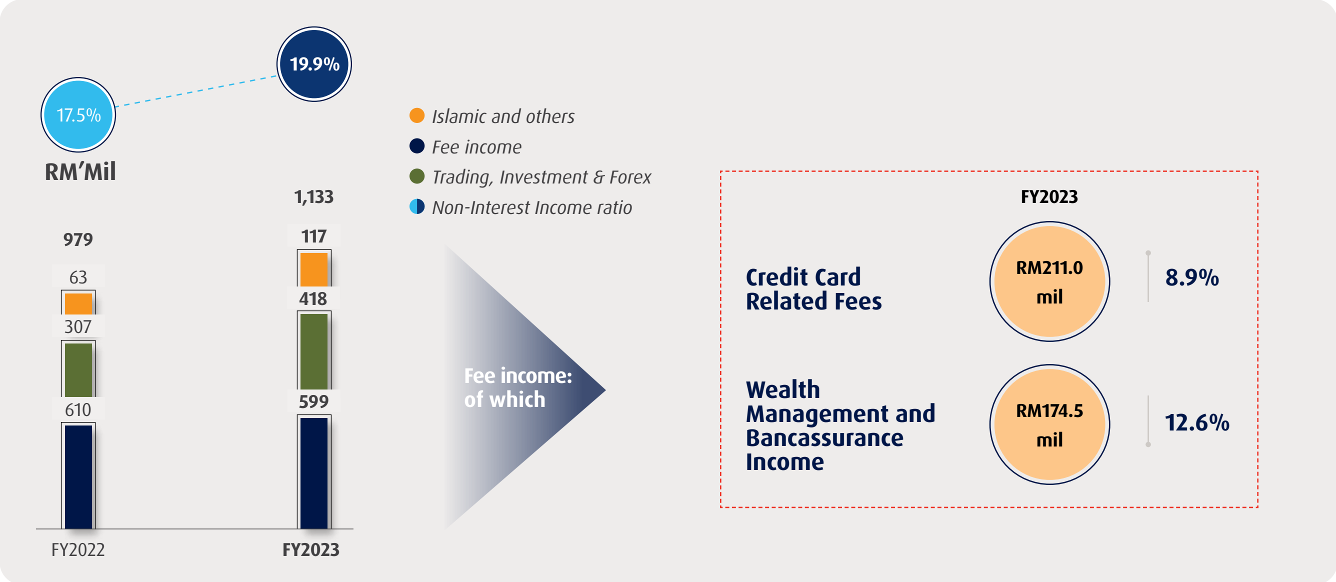
A) Net Interest Income (Cont'd.)



B) Non-interest Income

Non-interest income for FY2023 grew by 15.8% y-o-y to RM1.1 billion driven by higher credit card fees, trade finance activities and Foreign Exchange ("FX") performance. Non-interest income ratio improved to 19.9%. Fee income was stable y-o-y at RM599 million for FY2023 as the growth in credit card related fees of 8.9% y-o-y and improvement in trade finance activities was offset by lower wealth management income mainly from reduced sales commissions.

Despite the absence of the one-off BOCD convertible bond mark-to-market ("MTM") gain last year, the performance of trading, investment and forex was commendable due to higher net gain from sale of financial assets at fair value through profit or loss ("FVTPL"). As for foreign exchange, FY2023 recorded gains of RM145 million due to improved performance in FX trading and FX swap activities.

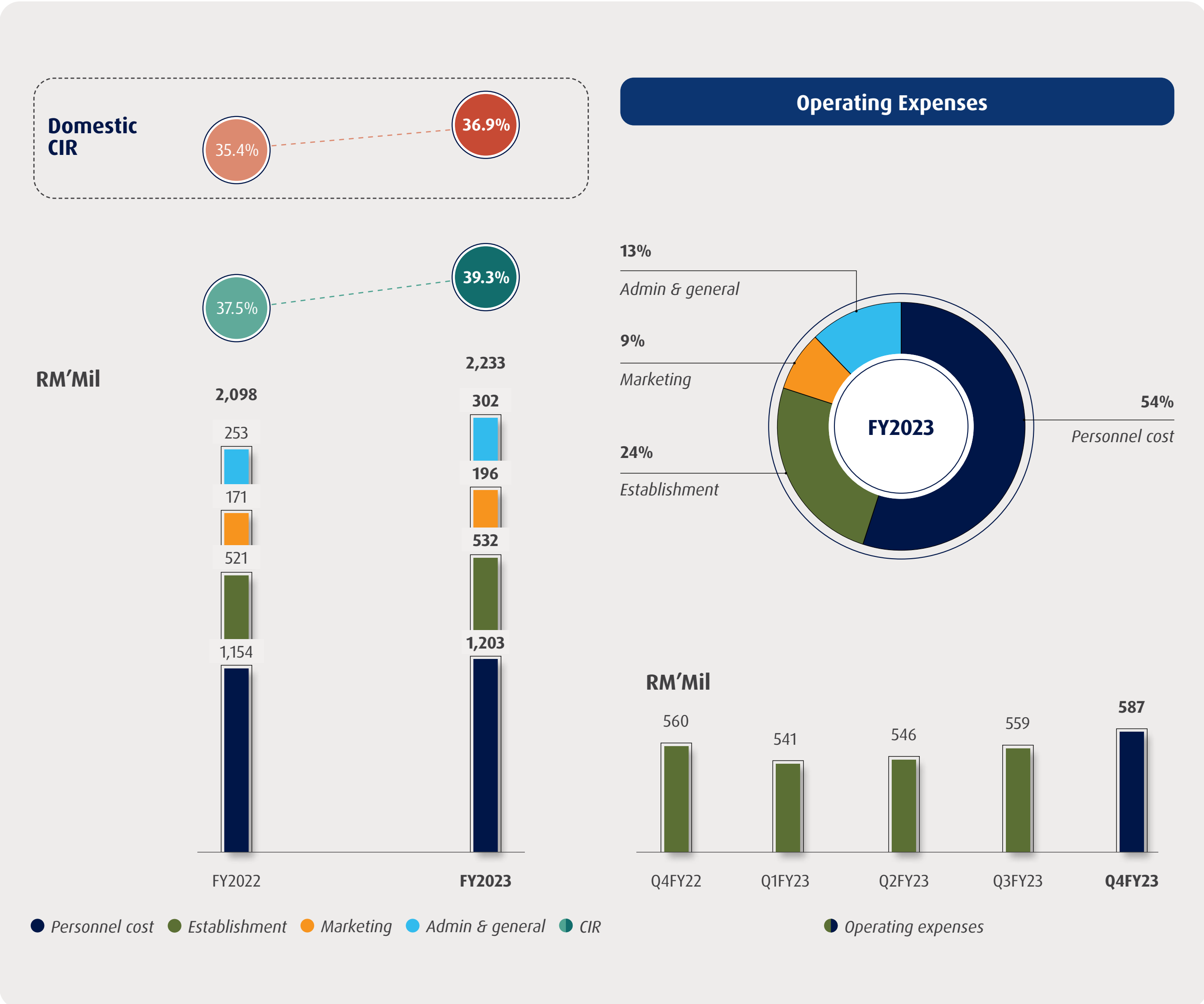


C) Operating Expenses

We continue to strategically manage our expenses with a disciplined approach, keeping our expenses optimised at RM587 million in Q4FY23. Overall for FY2023, operating expenses stood at RM2.2 billion, with a sustainable CIR of 39.3%.

Personnel costs, which accounted for 54% of total operating expenses, increased by 4.3% y-o-y to RM1.2 billion from increased salaries and allowances. Establishment costs saw a slight uptick y-o-y as we continue to improve efficiency via our digitisation efforts.

Similarly, higher expenses were recorded in marketing, up by 14.3% y-o-y to RM196 million from higher sales incentives driven by higher sales volume, in line with the recovery in economic activities. Administrative and general expenses were up by 19.7% y-o-y mainly due to higher card related expenses from increased merchant sales and retail spend.



5 GROSS LOANS, ADVANCES AND FINANCING

COMMENDABLE GROWTH TRAJECTORY DRIVEN BY EXPANSION IN KEY SEGMENTS

Gross Loans, Advances and Financing by Domicile	FY2022 RM'million	FY2022 % Contribution	FY2023 RM'million	FY2023 % Contribution	Growth %
Total Domestic Operations	156,479	93%	**167,712**	**92%**	7.2%
International Operations	11,755	7%	**13,965**	**8%**	18.8%
of which					
Singapore	7,625	4.5%	**9,368**	**5.2%**	22.9%
Hong Kong	21	0.01%	**47**	**0.03%**	121.9%
Vietnam	1,653	1.0%	**1,956**	**1.1%**	18.3%
Cambodia	2,457	1.5%	**2,595**	**1.4%**	5.6%
Total Gross Loans, Advances and Financing	168,234	100%	**181,677**	**100%**	8.0%

Our gross loans, advances and financing maintained its commendable growth trajectory, expanding 8.0% y-o-y to RM181.7 billion, as we looked for opportunities to support customers in their personal and business endeavours. Mortgages, auto loans, SME and commercial banking as well as overseas operations remain the key drivers of loan/financing growth.

Domestic loans/financing represents 92% of the Bank's total loan/financing book and outpaced industry growth in FY2023, recording a 7.2% y-o-y expansion to RM167.7 billion as at 30 June 2023. Overseas loans grew 18.8% y-o-y to RM14.0 billion, underpinned by strong growth in Singapore, Vietnam and Cambodia which expanded by 22.9%, 18.3% and 5.6% y-o-y to RM9.4 billion, RM2.0 billion and RM2.6 billion, respectively.

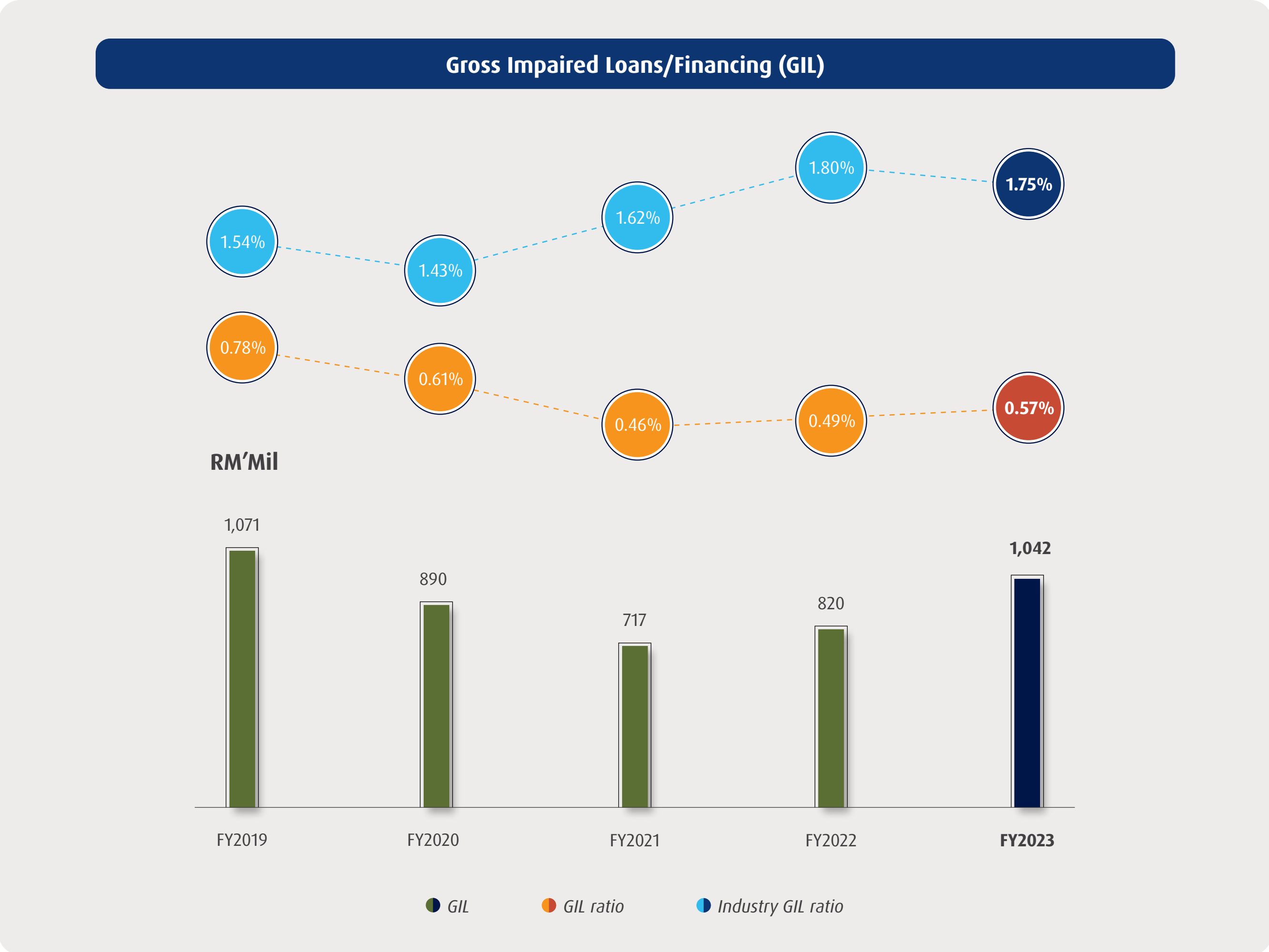
Gross Loans, Advances and Financing by Key Segments	FY2022 RM'million	FY2022 % Contribution	FY2023 RM'million	FY2023 % Contribution	Growth %	Domestic Market Share %
Residential Properties	82,434	49%	**89,114**	**49%**	8.1%	11%
Transport Vehicles	17,654	10%	**19,575**	**11%**	10.9%	8%
SME	30,115	18%	**33,031**	**18%**	9.7%	9%
Community SME	11,411	7%	**12,920**	**7%**	13.2%	-

The residential properties segment expanded by 8.1% y-o-y to RM89.1 billion, backed by a healthy loan/financing pipeline. Transport vehicle loans/financing stood at RM19.6 billion, a 10.9% y-o-y growth driven by the strong growth in motor vehicle sales activities, sales tax exemption and attractive promotional offers from car manufacturers.

Reported SME loans growth was encouraging with a 9.7% y-o-y expansion to RM33.0 billion, as we supported SMEs in their business and financial needs. Within this SME portfolio, the Bank's community banking initiative continued its solid performance with encouraging growth of 13.2% y-o-y, attributed to proactive and innovative efforts to meet the needs of our clients and digitalised onboarding initiatives.

6 ASSET QUALITY

HEALTHY ASSET QUALITY METRICS WHILE MAINTAINING SUFFICIENT PREEMPTIVE IMPAIRMENT BUFFERS

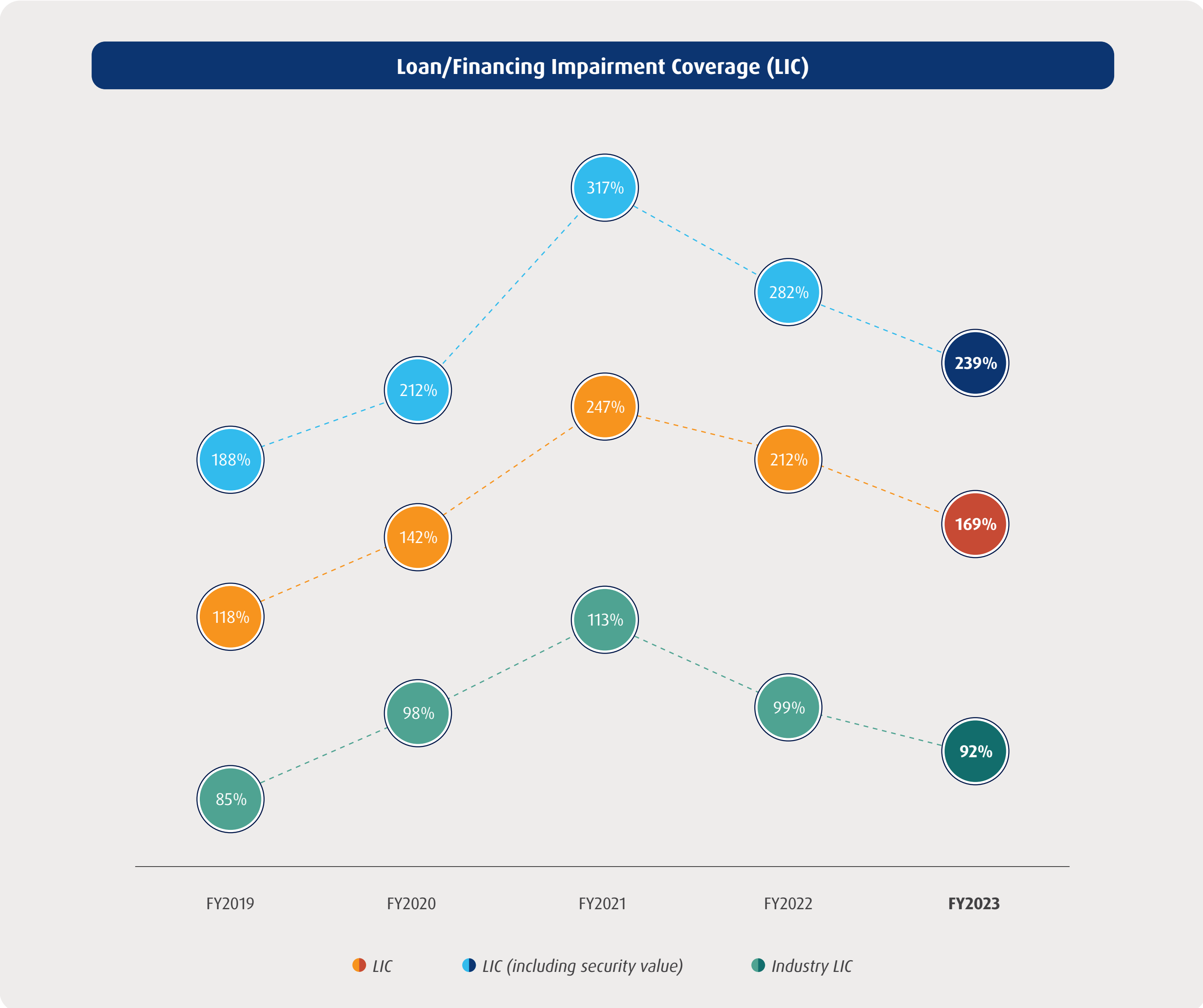


Asset quality was managed tightly with a healthy GIL ratio of 0.57% as at 30 June 2023, comfortably below the industry GIL ratio. The Payment Relief Assistance Plan ("PRAP") balances has continued to decrease to a modest amount of RM1.4 billion as of 30 June 2023, representing less than 1% of gross loans/financing portfolio.

Asset Quality by Key Segments	FY2022	FY2023	Industry Average
Residential Properties	0.38%	**0.45%**	1.48%
Transport Vehicles	0.20%	**0.22%**	0.51%
SME	1.25%	**1.06%**	3.03%

The asset quality for key segments of our loan/financing portfolio remained healthy, with stable GIL ratio for residential properties, transport vehicles and SME at 0.45%, 0.22% and 1.06% respectively, well below the industry average.

This is attributed to our strategies in taking preventive measures and tactical action plans on accounts with arrears, identifying and managing high risk accounts, initiating site visits and implementing various programmes to remedy our pre-impaired and impaired accounts.



In view of the current operating environment, the Bank maintained our prudent stance with a sizable amount of preemptive buffer of RM574 million. With that, our loan/financing impairment coverage ("LIC") is healthy at 169% as at 30 June 2023. Inclusive of the value of securities we hold on our GIL, the Bank's LIC ratio was 239%.

7 CUSTOMER DEPOSITS

STABLE FUNDING BASE SUPPORTED BY EXPANSION IN FIXED DEPOSITS AND FOCUS ON CASA ACQUISITION

Customer Deposits by Domicile	FY2022 RM'million	FY2022 % Contribution	FY2023 RM'million	FY2023 % Contribution	Growth %
Total Domestic Operations	183,457	93%	**192,874**	**91%**	5.1%
International Operations	13,835	7%	**18,778**	**9%**	35.7%
of which					
Singapore	10,290	5.2%	**14,380**	**6.8%**	39.7%
Hong Kong	119	0.1%	**308**	**0.1%**	160.0%
Vietnam	1,310	0.7%	**1,871**	**0.9%**	42.8%
Cambodia	2,117	1.1%	**2,219**	**1.0%**	4.8%
Total Customer Deposits	197,292	100%	**211,652**	**100%**	7.3%

Total customer deposits registered a 7.3% y-o-y growth to RM211.7 billion as at 30 June 2023, mainly driven by strong expansion in fixed deposits.

Domestic customer deposits which comprise 91% of the Bank's total deposit base, grew 5.1% y-o-y to RM192.9 billion while customer deposits from our international operations increased by 35.7% y-o-y underpinned by the growth in Singapore, Vietnam and Cambodia which expanded by 39.7%, 42.8% and 4.8% y-o-y to RM14.4 billion, RM1.9 billion and RM2.2 billion, respectively.

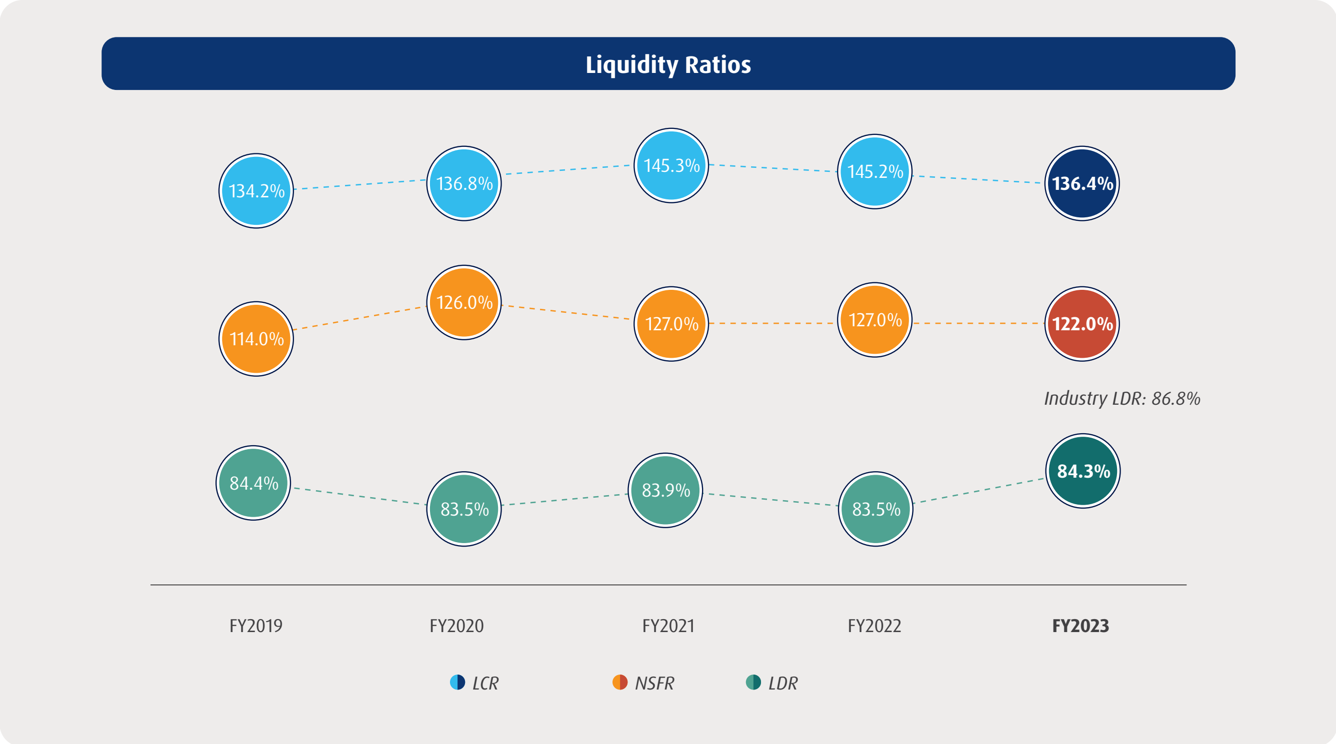
Customer Deposits by Key Product and Customer Type	FY2022 RM'million	FY2022 % Contribution	FY2023 RM'million	FY2023 % Contribution	Growth %	Domestic Market
By key product type of deposits						
Demand and Savings Deposits (CASA)	66,051	33%	**65,097**	**31%**	-1.4%	8%
Fixed Deposits	93,856	48%	**112,228**	**53%**	19.6%	8%
Total Core Deposits	159,907	81%	**177,325**	**84%**	10.9%	8%
By key type of customers						
Individual	99,405	50%	**104,616**	**49%**	5.2%	11%
Business Enterprises	92,431	47%	**99,972**	**47%**	8.2%	8%
Total Customer Deposits	197,292	100%	**211,652**	**100%**	7.3%	9%

Core customer deposits comprising demand, savings and fixed deposits made up 84% of our total customer deposits base and expanded by 10.9% y-o-y. CASA stood at RM65.1 billion with a healthy CASA ratio of 30.8%, as we continue to focus on the Bank's cash management solutions and community acquisition initiatives. Fixed deposits increased 19.6% y-o-y to RM112.2 billion, representing a domestic market share of 8%.

The Bank's stable funding base continues to be backed by a solid individual deposit base that grew 5.2% y-o-y to RM104.6 billion, represented by an industry leading mix of 49.4%.

8 LIQUIDITY

PRUDENT LIQUIDITY POSITIONS TO SUPPORT SUSTAINABLE BUSINESS GROWTH



The Bank continues to maintain strong funding and liquidity positions, with a LDR of 84.3%, as we continue to optimise balance sheet profitability whilst maintaining sustainable growth. As at 30 June 2023, the Bank's LCR and NSFR stood comfortably at 136.4% and 122.0% respectively, well above regulatory requirements.

As at 30 June 2023, loan-to-funds ("LTF") and loan-to-funds & equity ("LTFE") ratios are 86% and 74% respectively, well in line with industry averages.

9 CREDIT RATINGS

Rating Agency Malaysia and Moody's Investors Services have reaffirmed our long-term and short-term ratings, anchored by our sound fundamentals, strong domestic retail and SME franchises, robust asset quality and strong capitalisation.

Our consistent business performance has translated to strong credit ratings by domestic and international credit rating agencies, as shown below:

Rating Agency	Date Accorded / Latest Update	Rating Classification
Rating Agency Malaysia Berhad	30-Aug-23	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	25-Aug-23	Long-Term Rating: A3 Short-Term Rating: P2

10 CAPITAL MANAGEMENT

INTRODUCTION

HLB's capital management framework comprises the necessary policies and procedures to ensure the efficient utilisation of capital by the Bank and its principal subsidiaries, while maintaining adequate capital levels.

The framework defines the risk profiles, management targets, and applicable regulatory standards or guidelines that each business unit must follow.

The capital management structure aims to:

- **Keep capital ratios at levels above regulatory minimums or internal capital thresholds.**
- **Support the Bank's strong credit ratings.**
- **Be open to future strategic opportunities.**
- **Allocate capital efficiently to businesses and optimise return on capital.**
- **Be resilient during stressful economic and financial conditions.**

CAPITAL MANAGEMENT FRAMEWORK

The Bank's capital management approach is documented in the Internal Capital Adequacy Assessment Process ("ICAAP"), which has received approval from Senior Management, the Board Risk Management Committee ("BRMC"), and the Board. Within the ICAAP, the Bank evaluates its capital levels in different economic scenarios, including stressed conditions, to determine the optimal capital levels required.

i) Comprehensive Risk Assessment under ICAAP

The Bank achieves its capital management objectives through the ICAAP. This process assesses all significant risks faced by the Bank and ensures that the capital allocated to support its business activities is adequate in relation to those risks.

To do so, the Bank subjects its base capital levels, derived from the annual budget, to various stress tests. These tests evaluate whether the level of capital is sufficient to withstand adverse economic situations or rapid economic downturns.

Based on these evaluations, the Bank will make necessary adjustments and establish internal capital targets accordingly. These targets undergo an annual review to ensure that the capital levels remain robust, exceed regulatory requirements, and are sufficient to withstand challenging economic conditions.

ii) Capital Plan

The Bank's Capital Plan is a three-year strategy that includes capital projections, requirements, levels, and composition, all aligned with the Bank's business and strategic goals. The plan also takes into account regulatory, policy, and stakeholder perspectives, such as capital buffers, new accounting standards, and expectations from investors, analysts, and rating agencies.

CAPITAL INITIATIVES

The Bank is dedicated to maintaining a capital position that complies with stringent Basel III capital requirements and satisfies stakeholder expectations, while also being aligned with strategic business objectives. Major initiatives undertaken over the years include:

i) Equity Capital

As at June 2023, the Bank held 37.6 million treasury shares that had been bought back previously. These shares, which can be made available for sale, can be used to improve the Bank's CET 1.

ii) Debt Capital

The Bank has established RM10 billion Multi-Currency Additional Tier 1 ("AT1") Capital Securities and RM10 billion Multi-Currency Tier 2 Subordinated Notes ("Sub Notes"). In April 2022, the Bank issued its first Green AT1 Capital Securities worth RM900 million, intended for financing or refinancing green assets, projects, or companies meeting the eligibility criteria in HLB's Green Bond Framework.

iii) Healthy Dividend Payout

While the Bank does not have a fixed dividend payout policy, it strives for a balanced approach between growth and proactive capital management to ensure sustainable dividend pay-outs to shareholders in the long term. For FY2023, the Board has declared a final dividend of 38 sen per share, resulting in a total dividend of 59 sen, up from 55 sen in the previous year.

CAPITAL ADEQUACY RATIO

i) Minimum capital adequacy requirements

As per Bank Negara Malaysia's ("BNM") Capital Adequacy Framework, banks must maintain a minimum CET 1 Ratio of 4.5%, Tier 1 Capital Ratio of 6.0%, and Total Capital Ratio of 8.0%.

ii) Capital buffer requirements

In addition to the minimum capital requirements, banks are required to maintain the following capital buffers:

- Capital Conservation Buffer ("CCB") of up to 2.5% to ensure the building up of capital buffers during normal times, which can be used during periods of stress.
- Counter-cyclical Capital Buffer ranging from 0% to 2.5% of total risk-weighted assets, intended to safeguard the banking sector from the accumulation of systemic risk during economic upswings when credit growth tends to be excessive. Presently, this capital buffer is not mandated for credit exposures in Malaysia but may be implemented by the central bank in the future.
- Higher Loss Absorbency ("HLA") requirement *per Table 1* for FIs designated as Domestic Systemically Important Banking Institutions ("D-SIBs") by BNM:

Bucket	HLA requirement (as % of risk-weighted assets)
3 (empty*)	2.0
2	1.0
1	0.5

*Note: *An empty bucket will be maintained above the current highest populated bucket (3) as a pre-emptive measure for D-SIBs with higher systemic importance in the future. If the empty bucket becomes populated in the future, an additional bucket with a higher HLA requirement shall be added.*

- BNM reviews the list of D-SIBs on an annual basis. However, they may review the list as and when deemed necessary if there are major structural changes to the banking system, e.g. a merger or significant restructuring exercise by a bank or banks.
- D-SIBs are also required to maintain HLA and this shall apply to apex entities on a consolidated basis (this includes consolidation of all subsidiaries, except insurance and/or takaful subsidiaries). However, BNM may exercise its own discretion to require financial institutions to comply at the entity level.
- On 5 February 2020, BNM announced that three banking groups (MBB, CIMB and PBB) have been identified as D-SIBs based on 2018 data.

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital adequacy ratios of the Bank, at both group and entity levels, presenting figures for financial years 2022 and 2023.

After proposed dividend	HLB Group		HLB Entity		Regulatory Minimum with CCB*	
	FY2022	FY2023	FY2022	FY2023	2022	2023
CET 1 Ratio	13.4%	**12.8%**	13.3%	**12.4%**	7.00%	**7.00%**
Tier 1 Ratio	14.5%	**13.9%**	14.4%	**13.4%**	8.50%	**8.50%**
Total Capital Ratio	16.7%	**15.9%**	16.4%	**15.4%**	10.50%	**10.50%**

*Note: *Inclusive of minimum capital adequacy requirements and Capital Conservation Buffer of up to 2.5%*

Management Discussion & Analysis

BUSINESS OPERATIONS REVIEW

1 PERSONAL FINANCIAL SERVICES ("PFS")

OVERVIEW

Growth of the Malaysian economy moderated in the first half of 2023 to 4.2% from 6.8% the year before as a result of weaker exports in the second quarter of 2023, offset by robust domestic demand and recovery in tourism activities. Concerns about a slowdown in the global economy, inflation and tighter monetary policy have also persisted, although Malaysia is expected to be resilient against these headwinds given its strong fundamentals, improving labour market and the implementation of long-term infrastructure projects.

Amid this challenging operating environment, the PFS business segment played a crucial role in creating value for the Bank, contributing 56% to the Bank's revenue and 38% to its pre-tax profit. This reflects the success of our growth strategies and the momentum we have achieved in this sector.

Furthermore, we have been disciplined in managing asset quality, resulting in a solid and low GIL ratio of 0.50% for the PFS segment in FY2023. This healthy ratio provides us with ample room to support our customers' credit needs and demonstrates our commitment to maintaining strong risk management practices.

Notwithstanding the challenging business environment, we have sustained strong business momentum, achieving a noteworthy year-on-year ("y-o-y") loan/financing growth of 7%. This growth has enabled us to build a robust pipeline, positioning us well for the coming year and further strengthening our market presence.

Transforming through Digital Disruption

In FY2023, HLB continued to forge ahead in the digital realm, fully committed to our brand promise of "Built Around You". Our dedication to delivering exceptional financial solutions and enhancing the digital banking experience remained unwavering.

Proof of this was in the sustained growth in the adoption of HLB Connect, which saw an encouraging 16% increase in our user base compared to the previous year. We now have over two million Connect users, with 73% of them actively engaging with the platform on a monthly basis.

The seamless digital experiences we have crafted to meet our customers' evolving needs have resonated strongly with HLB Connect achieving high penetration rates, reaching 70% of our total retail customer base. The penetration rate stands at 74% for CASA customers and 88% for credit card holders. These robust numbers have translated into a 12% y-o-y increase in online financial transactions, accounting for 78% of all PFS financial transactions. Retail transactions conducted via Connect have also grown by 12%, representing 93% of the Bank's total retail transactions. The convenience of signing up for financial products through Connect, coupled with our targeted campaigns and integrated festive promotions, has resulted in significant growth in product uptake through our online banking channel. Approved credit cards have strong growth, which led to 9.5% y-o-y increase in credit card loans, while e-FD placements have risen by 9%. Overseas transfers performed via Connect have experienced a substantial 8% growth. Flexi payment plans have also increased in popularity, with a strong 77% increase in uptake through Connect, while balance transfers have seen a robust 26% growth compared to the previous year.

In empowering our customers in their pursuit of wealth growth and preservation, we introduced HLB Wealth on our online banking platform. This innovative feature enables seamless subscription, top-up, and monitoring of Unit Trusts, starting with a minimum investment of just RM50. HLB Wealth opens the door to investment opportunities for customers across

12%
Y-O-Y INCREASE IN ONLINE FINANCIAL TRANSACTIONS

93%
OF TOTAL RETAIL TRANSACTIONS ARE CONDUCTED VIA CONNECT

different income levels, risk appetites, and financial literacy. With a wide selection of funds and comprehensive insights, customers can make informed investment decisions aligned with their goals and preferences.

We are also pleased with the launch of our cross-border QR capability on the HLB Connect App. This feature allows customers to effortlessly make payments to merchants in Thailand, Indonesia, and Singapore, expanding the convenience of digital transactions beyond borders.

At HLB, we prioritise the security and protection of our customers, aligning with Bank Negara Malaysia's ("BNM") five key measures to combat financial scams. In addition, we continue to raise awareness on the ever evolving scam/fraud tactics by continuously enhancing our security measures and introducing new features. Our Emergency Lock feature empowers customers to quickly halt all new transactions if they suspect their HLB Connect access has been compromised. Furthermore, our Card Freeze/Unfreeze feature enables credit card customers to immediately block their cards temporarily in case of suspected fraudulent activities. We have also extended the AppAuthorise feature to cover a wider range of transaction types.

Looking ahead, we are committed to enriching our customers' financial journeys. We will be extending the end-to-end digital onboarding experience via Apply@HLB to sole proprietors and making HLB Wealth available on our Connect Mobile App. In addition, we are implementing loyalty programmes on our Connect App to reward customers for their support and advocacy of our brand, which will also help to drive user growth and engagement.

PFS Deposits

Despite the economic uncertainty in FY2023, we experienced a notable 36% growth in new account acquisitions compared to FY2022, leading to a 4% expansion of our customer deposits base.

During the year, we introduced HLB Wallet, an innovative multi-currency e-wallet that offers customers a convenient digital payment experience and instant cashback rewards. We have also made it convenient for customers to obtain this e-wallet through our existing Apply@HLB app.

To better serve sole proprietors, who are often underserved, we rolled out several initiatives. For example, in April 2023, we launched Pay & Save Sole Prop which enables business owners to transact in 12 currencies and earn interest. In addition, our "Cashless Lagi Senang" solution continues to support small business owners in accepting digital payments effortlessly. Through a collaborative approach, we also extend our support to micro sellers from organisations such as the Trishaw Association in Malacca and Tamu in Sabah by providing their members with bank accounts and cashless payment capabilities.

In our commitment to enhancing financial literacy and inclusion among the younger generation, we have established strategic partnerships with organisations like Smart Reader® Worldwide. Through initiatives like DuitSmart Kids, we have introduced 3,000 pre-school children to relevant and engaging financial literacy content. We also collaborate with Little League Soccer, KL Badminton Association, and SK Badminton Academy to promote cashless payments and provide seamless account opening services to children. Meanwhile, our HLB@Kampung programme supports the digital and cashless transformation of village communities, enabling over a thousand residents and businesses to access HLB accounts and actively participate in the digital financial landscape.

As we enter the new financial year, PFS Deposit remains committed to embracing a more digitalised business environment while prioritising the needs of our valued customers. We continue to dedicate ourselves to uplifting and empowering underserved communities.

Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

PFS Loans

Mortgage

In FY2023, our mortgage business experienced stronger loan/financing growth of 6.7% compared to the previous years, with 5.4% in FY2022 and 4.2% in FY2021. This growth was partly driven by our focus on the affordable housing segment, particularly first home buyers, as evidenced by a significant 17% increase in approvals for properties valued below RM400,000.

To enhance market coverage and improve the property buying and financing journey for our customers, we have collaborated with property technology partners and implemented innovative solutions. These collaborations aim to provide a seamless and efficient loan/financing process, leveraging digital improvements to streamline the customer experience.

In response to climate change concerns and to support the Bank's overall ESG agenda, our business has actively encouraged property developers to apply for Green Certification which is monitored through our End-Financing empanelment process. Additionally, we have introduced the HLB Solar Plus Loan/Financing-I product, which offers financing options for homeowners seeking to install solar energy systems, further promoting sustainable practices.

Auto Loan

In FY2023, our auto loan/financing business experienced robust growth, with a significant increase in loan/financing volume compared to the previous year. This includes a 167% growth in Green Car Financing for Hybrid Electric Vehicles ("HEV"), Plug-in Hybrid Electric Vehicles ("PHEV") and Battery Electric Vehicles ("BEV"). This growth can be attributed to several factors, including the introduction of new car models, the availability of sales tax exemptions, and attractive promotional offers from car manufacturers.

Through strategic collaborations and improved dealer coverage, we successfully expanded our presence within the top five brands in the new car segment. By leveraging these partnerships and enhancing our dealer network, we were able to effectively cater to the growing demand for auto loans/financing and provide customers with competitive financing options. This resulted in a substantial increase in application volume and approval volume compared to FY2022.

Personal Loan

The past year witnessed modest growth in our personal loans business as external factors such as a moderation in economic growth and higher interest rates resulted in increased lending rates, which weighed on demand for personal loans.

Given the headwinds, we have taken a proactive stance to address the situation through the early detection of potential risks which has enabled the rollout of timely measures to mitigate adverse effects. To ensure stability and resilience in our personal loan business, we have implemented several measures, including:

- **Portfolio Diversification:** We are expanding our portfolio to include the higher income and self-employed segment, which has demonstrated greater resilience in challenging credit conditions.

- **Risk-based pricing:** We have introduced Pay-on-time rebates to incentivise borrowers to make prompt payments, while adjusting pricing for late payers based on risk assessment. As part of our portfolio diversification strategy, we offer higher rebates for preferred segments.

While challenges may persist, we remain committed to the prudent management of our Personal Loans business. By being prudent, strengthening risk management practices, and embracing innovation, we are confident in our ability to navigate the evolving landscape and overcome external headwinds.

Regional Wealth Management ("RWM")

The year was marked by global interest rate hikes and downward pressure on China's growth prospects, as well as turbulence in the equity environment with the collapse of the Silicon Valley Bank and Credit Suisse.

Nevertheless, these market conditions created opportunities for RWM, as we achieved a robust 22% growth in PBT. The higher interest rates drove significant interest in Fixed Income products, resulting in a 57% increase in sales. This also led to cross-selling opportunities in foreign exchange ("FX"), with FX revenues nearly doubling this year. Our strong deposit franchise contributed to a 4% growth in segment Deposits and an 8% growth in Assets Under Management ("AUM").

Bancassurance saw credit insurance sales as the key driver, increasing by 23% due to mortgage growth. While savings products were impacted by the weak equity environment, Q4 FY2023 showed a strong turnaround. In FY2024, our sales teams will continue to focus on Bancassurance, maintaining the positive momentum.

Customer engagement remained strong, leading to a 7% increase in the overall client base. This resulted in a solid 26% growth in investment AUM, with record flows into Fixed Income and Negotiable Instrument of Deposits. Relationship Managers played a crucial role in engaging clients, shifting conversations towards their investing needs rather than solely product discussions.

In terms of digital channels, RWM made significant progress in FY2023. Additional investment functions were enabled in Connect, allowing customers to apply and transact Unit Trust online. Soon, they will also have access to a wealth position dashboard allowing them to view their investment holdings.

Looking ahead, RWM remains vigilant of market conditions, particularly the increased risk of a recession due to high interest rates. However, we are confident in our ability to help customers navigate these challenges by focusing on their investment needs and enhancing our investment proposition.

Payments Business

Our debit/credit cards and merchant acquiring business has experienced significant sales growth over the past year, demonstrating the strength of our sales drivers. However, profitability has remained a challenge due to factors such as the reduction in credit card interchange fee ceilings and ongoing investments into our systems.

To address these challenges and improve our bottom line, we have developed a set of strategies focused on enhancing operational efficiency and optimising resources:

- **Investment in systems and infrastructure:** We recognise the importance of upgrading our loan origination systems to streamline the credit card application and approval process. This investment will not only improve productivity but also enhance our ability to serve our customers more effectively. In addition, we are prioritising the enhancement of our loyalty system to increase customer engagement and retention. By introducing innovative features and personalised rewards, we aim to strengthen customer loyalty, boost card usage, and ultimately drive profitability.

- **Deepening customer relationships with our lending customers:** We have adopted a strategic approach to credit card acquisition by targeting our existing loans customer base. By cross-selling credit cards to this group, we can reduce acquisition costs and maximise the value of our existing relationships. To facilitate a seamless experience, we have implemented a streamlined credit card application process for our loans customers. This allows us to optimise acquisition costs, improve customer retention, and leverage the trust and familiarity we have established with our loans customers.

- **Enhancing customer experience:** We understand the importance of delivering a superior customer experience in the competitive credit card industry. To achieve this, we are actively pursuing partnerships and initiatives that enhance the convenience and accessibility of our services. For example, we recently introduced Google Pay as a payment option for our credit card holders, providing them with a seamless and secure digital payment experience. This integration aligns with the preferences of our tech-savvy customer base and enhances their overall satisfaction.

While we have experienced exceptional sales growth in our credit cards and merchant acquiring business, we acknowledge the profitability challenges we face. However, by leveraging advanced analytics for cross-selling, investing in loan origination systems and loyalty programmes, and enhancing the customer experience through digital payment solutions, we are confident in our ability to overcome these challenges and drive sustained profitability in the coming year. Our commitment to continuous improvement and innovation will enable us to strengthen our position in the market and provide unparalleled value to our customers and stakeholders.

Moving Forward

Moving forward, we are committed to embracing technology, innovation, and workforce transformation as we adapt to the new normal and cater to the evolving needs of our customers. We remain dedicated to our brand promise of being “Built Around You”. By leveraging advanced distribution models, we aim to enhance customer onboarding and service processes, particularly for underserved segments.

Over the past three years, there has been a significant increase in the number of users embracing Connect, our digital banking platform, and utilising its diverse range of services. We view this as a significant growth opportunity in waiting and will focus on maximising the potential of our digital platform. In the upcoming phase, we will intensify our efforts and allocate more resources to further commercialise Connect. Our goal is to transform our service delivery through digital channels, segment digitalisation, and increased customer involvement initiatives. This transformation will lead to greater scale, cost efficiency, and an improved reach in acquiring and serving customers, partners, merchants, and small businesses.

In FY2024, we will continue on the journey of building an integrated and agile payments strategy that caters to our customers' needs, capitalising on the rapid changes in the consumer, merchant, and payments landscapes. Furthermore, we see an opportunity to revolutionise our PFS organisation to become more data-driven, leveraging technology and analytics to develop highly focused and personalised solutions for our valued customers.

Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

2 BUSINESS & CORPORATE BANKING ("BCB")

OVERVIEW

Amidst a challenging operating environment, the BCB division demonstrated strong performance, achieving 7% y-o-y growth in loans/financing, outpacing the industry. Our strategic focus on SME and commercial client segments yielded impressive results, with loans expanding by 12% and 8% y-o-y, respectively. Similarly, demand deposits saw a robust growth of 11% y-o-y.

The momentum in loans/financing and deposits growth, along with our dedication to cross-selling and holistic relationship management, translated into 11% y-o-y growth in operating income. BCB's revenue for the year contributed 29% and 25% of the Bank's total income and profit before tax, respectively.

BCB LOANS/FINANCING GROWTH OUTPACING THAT OF THE INDUSTRY AT

+7% Y-O-Y

ROBUST GROWTH IN DEMAND DEPOSITS BY

+11% Y-O-Y

Assisting Our Clients

As the Malaysian economy recovered, HLB actively supported businesses through various means, including providing working capital facilities to aid in their restart and offering bank-initiated payment relief assistance programmes as well as facilitating government financial assistance programmes.

Our strong relationship with the SME sector has helped us deliver above-industry loans portfolio growth rate of 12% y-o-y in our SME Banking segment, all while maintaining a robust and healthy portfolio asset quality.

In our efforts to offer comprehensive banking services to our SME clients, we established an SME Cash, Trade, and Foreign Exchange ("CTFX") team in FY2022. This team engages clients on trade financing, cash management, and Foreign Exchange ("FX") hedging services. The CTFX team has since doubled in headcount, enhancing our ability and capacity to support our clients' transactional and hedging needs.

Enhancing the Customer Experience

BCB remains committed to delivering exceptional customer experiences through our digital transformation strategies. In the past year, we have made significant improvements to our products and services, streamlining internal processes to create more efficient, seamless, and frictionless customer journeys.

We have made continuous enhancements to our BCB digital onboarding experience for account opening and Hong Leong ConnectFirst ("HLCF") sign-ups, with nine out of ten new accounts now being onboarded digitally. This feature has resulted in significant time and cost savings for our clients, as it simplifies the process of becoming an HLB business client, eliminating traditional pain points, and removing the need to adhere to branch opening hours.

Our efforts to enhance the HLCF corporate internet banking platform include introducing multilingual options for customers and implementing the use of eTokens. Additionally, we incorporated a treasury module into the HLCF platform, providing clients with a quick and straightforward way to fulfill their FX booking requirements. Furthermore, we introduced the PrimeBiz Current Account, a new and improved business current account service that allows clients to earn rebates from their CA balances, which can be used to offset selected transaction fees and charges.

In addition to the above enhancements, we have intensified our customer engagement and outreach efforts through nationwide Transaction Banking roadshows. These roadshows feature experienced specialists from our trade, cash, and global markets segments, providing valuable insights into market outlook and opportunities for SMEs and corporates in the near and medium term. We also highlight how BCB can support them in capitalising on these opportunities and managing associated inherent risk factors.

Commitment to Sustainability

As part of our firm commitment to sustainability, HLB actively engages with stakeholders to refine BCB's ESG Policy & Assessment Framework, aiming to promote sustainability practices among our clients. To drive this effort, we initiated the HLB BCB Sustainability Roundtable series in February 2021. So far, we have successfully completed 10 roundtables, covering various critical topics like palm oil, renewable energy, waste management and more.

These roundtables serve as platforms for policymakers, regulators, industry experts, and business leaders to engage in meaningful conversations and provide valuable insights on selected sustainability topics. Our latest roundtable in June 2023, conducted in collaboration with Small and Medium Enterprise Association ("SAMENTA"), focused on helping SMEs build competitiveness through greening their supply chain. This demonstrates our dedication to supporting SMEs in future-proofing their businesses and accessing new, lucrative markets.

Moving Forward

Our sustained growth in the past year is a testament to our efforts in engaging and supporting our clients, especially SMEs, amid challenging economic conditions worldwide. Despite rising interest rates, stop-start economic recovery, and inflationary pressures, we have stood by Malaysian businesses, offering a comprehensive range of financing and banking services. Moving forward, BCB will continue this support, continuously improving our offerings to meet the evolving market and client needs. We also recognise that security, reliability, and capabilities are paramount in today's digital landscape. Hence, we are committed to enhancing our digital channels, which have become primary conduits for serving our clients.

With our extensive experience and proven track record, BCB remains a key growth engine for the Bank. Leveraging our regional presence in Singapore, Cambodia, Vietnam, Hong Kong, and China, we empower our customers' competitiveness by facilitating their expansions into these markets and streamlining capital and transaction flows for SMEs and corporates engaged in import and export activities. As we expand our business banking coverage in regional offices, we also draw from the wealth of expertise and knowledge acquired through our successful BCB operations in Malaysia, while ensuring compliance with local laws and regulations.

3 GLOBAL MARKETS ("GM")

OVERVIEW

Amid continued headwinds and volatility in the financial markets, GM demonstrated resilience and contributed positively to the Bank's overall performance, with revenue reaching RM278 million and PBT amounting to RM165 million. These figures accounted for 5% of the Bank's total income and 4% of the Bank's PBT, highlighting GM's significant contribution.

Even as liquidity tightened around the world in response to persistent inflation concerns, particularly in developed markets, Malaysia's system liquidity remained well-managed under the supervision of BNM. This demonstrated the central bank's commitment to maintaining a stable domestic environment for growth while effectively managing inflationary pressures.

Nonetheless, key ratios such as the industry loan-to-fund ratios ("LFR") and liquidity coverage ratio ("LCR") remained stable during this period.

REVENUE

RM278
million

5%

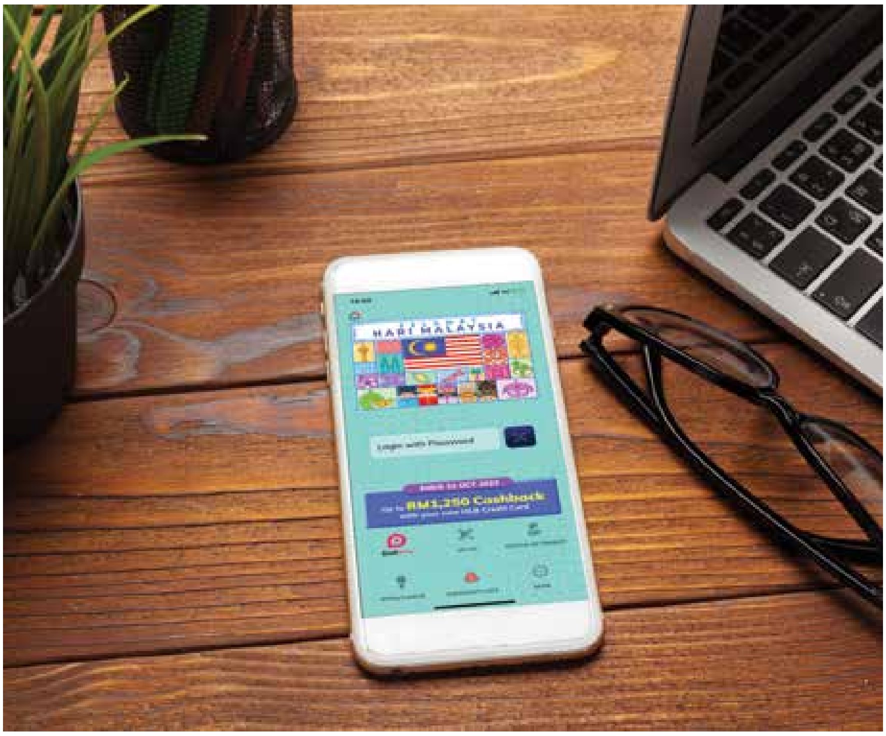
CONTRIBUTION TO THE BANK'S TOTAL INCOME

PBT

RM165
million

4%

CONTRIBUTION TO THE BANK'S PBT



Performance Review

GM faced challenges in the financial year as the operating environment was unfavourable for its liquid asset portfolio. The bank encountered low portfolio yields, higher funding costs, and negative mark-to-market impact on bond portfolios due to the persistently high interest rates.

Trading income was also affected by bond selloffs in both local and global markets, while widening USD/MYR interest rate differentials posed additional challenges. These market conditions had a widespread impact across multiple markets, resulting in lower monetised gains in fair value through other comprehensive income investments.

Despite the tougher operating environment, coupled with higher global and domestic interest rate expectations which had led to many market participants staying on the sidelines, GM Fixed Income Sales business had managed to broadly defend bond sales margins in the markets where it competed notwithstanding softer sales volume. The Bank's pivotal role in the markets was recognised by The Asset, a leading publication, as GM received accolades for Best Local Currency Bond Individuals in Trading and Research, and Highly Commendable Persons in Sales for FY2023. This recognition further solidified HLB's prominent position in the local institutional space.

In FY2023, GM experienced a slight increase in FX product margins, although recorded volume was slightly lower due to the absence of a surge in volume immediately after the reopening of the economy following pandemic restrictions. However, digital remittance volumes remained strong, reflecting the growing adoption of digital banking channels by customers even in the post-pandemic era. The bank's ongoing focus on upgrading digital capabilities will enable it to handle a wider range of FX transactions to meet customer needs.

Initiatives in the Past Year

In FY2023, GM collaborated closely with internal partners and clients to deliver innovative treasury solutions. The launch of HLCF Live in the previous year allowed corporate clients to directly

book FX rates with the Bank, expanding beyond spot FX trades to include forward contracts, which has also helped to drive FX volume in our SME and corporate segments. In addition, we introduced LiveRate for internal users, enabling seamless end-to-end delivery of FX-related transactions, including branches.

Collaboration between GM and other business units, particularly Regional Wealth Management, saw a significant increase in transactions across multiple products such as bonds, FX, and structured products. This growth facilitated the offering of bespoke wealth management products with a high level of customisation to cater to the needs of our high-net-worth clients. As the wealth management industry in Malaysia becomes more sophisticated and mature, we anticipate this momentum to continue and further expand.

Moving Forward

In FY2023, the Malaysian economy showcased its resilience following its reopening, supported by timely policy responses from BNM and ongoing government assistance programmes for those affected by the pandemic. However, challenges persisted due to volatile commodity prices and supply-demand imbalances. The global headwinds added further pressure on raw material costs and energy prices, leading to temporary disruptions in the supply chain. As the economy continues to adjust, we anticipate a gradual resolution of these supply chain issues in the coming years. Together with the high base from the previous year, headline inflation is expected to gradually decrease as the impact of tight monetary policy takes effect.

Looking ahead, we believe that the current cycle of interest rate hikes is nearing its end, barring any unforeseen events. The performance of our fixed income investment book, which was impacted by the rapid rise in global interest rates, will gradually improve as we replace short-dated bonds with higher-yielding ones. Our prudent balance sheet management has allowed us to take advantage of the current high interest rate environment by strategically deploying our resources. However, we remain mindful of the possibility of the global economy entering a recession as a result of aggressive monetary policy tightening.

4 ISLAMIC BANKING

OVERVIEW

Hong Leong Islamic Bank ("HLISB") delivered a strong set of financial results in FY2023 with a 29.2% y-o-y increase in Profit before Zakat and Taxation to achieve RM567 million. This growth was driven by a 5.1% increase in operating profit and a 6.5% increase in total income. Our retail and commercial business segments showed strong growth, contributing to a 10% expansion in assets, totalling RM56.6 billion. Furthermore, Gross Financing increased by 13%, surpassing the industry average of 9%, driven by healthy growth in retail, SMEs, and corporate financing. To add further, these growth milestones were achieved while maintaining our discipline in cost management with a stable cost-to-income ratio of 29.7% (FY2022: 28.8%).

TOTAL ASSETS
RM56.6 billion
10% Y-O-Y

FINANCING ASSETS
RM41.1 billion
+13% Y-O-Y

Progressive and Inclusive Growth

In line with our brand promise of "Built Around You", HLISB has been steadfast in its goal to becoming a one-stop Islamic bank, providing innovative and diversified financial solutions tailored to the diverse needs of the communities in which we operate. HLISB continues to make significant strides in the financial landscape, guided by our commitment to providing innovative digital banking solutions while adhering to our core values of Shariah-compliant financial services.

Enhanced Market Presence through Personal Financial Services-i ("PFS-i")

Our PFS-i business has witnessed substantial growth, thanks to our robust digital strategies that effectively engage customers through a simplified banking journey. By offering a multitude of Islamic wealth management services and products, we have catered to the diverse financial requirements of our clientele.

During the year under review, we have witnessed a surge in digital participation, evident from the rise in active users for both Retail Connect Internet Banking and Retail Connect Mobile Banking customers. The y-o-y increase of 18% highlights the growing preference for digital banking solutions among our clientele.

In response to evolving customer demands, we have expanded our offerings by introducing two new Islamic Structured Products as part of our Islamic Wealth Management Shariah compliant shelf offering. These products are meticulously designed to cater to the specific needs of our clients, offering them even more options to manage and grow their wealth.

HLISB remains committed to upholding sustainability in our operations. In line with this, we continue to provide Green Financing options to our retail customers, empowering them to transition towards a low carbon economy. Our efforts in providing Green affordable property financing have also flourished through close collaboration with developers to promote the adoption of Green Certification applications.

To promote financial inclusion among the younger generation, our PFS-i's Mobile Deposit Specialists have significantly increased their efforts through community-based programmes such as HLB@School. These initiatives have effectively unlocked the untapped potential of deposits from our younger customer segment. Impressively, 70% of all Junior Savings accounts opened were Islamic accounts, signifying the success of our inclusive approach.

Business and Corporate Banking-i ("BCB-i")

HLISB's BCB-i has achieved significant growth, by providing comprehensive financial solutions while adhering to our Shariah principles. During the financial year, BCB-i recorded an impressive overall financing growth rate of 14.3%, with the SME segment contributing significantly, boasting a y-o-y growth of 20.3%. The Manufacturing sector led the growth in our business banking segment, followed closely by the Wholesale & Retail Trade and Real Estate sectors. These results were largely due to our expansion and outreach efforts to SME customers through a close-knit collaboration with Hong Leong Bank Group and their extensive branch network nationwide.

Our ongoing partnership with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 ("SSFS 3.0") Programme has continued to bear fruit. To foster further SME growth, we successfully launched our maiden MicroSME financing programme, Islamic SME Grow, which is guaranteed by Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") and targets deposit and merchant terminal Shariah-compliant customers.

HLISB remains steadfast in supporting the Halal sector, achieving a commendable y-o-y growth rate of 12.1%, primarily driven by the Manufacturing of Food and Beverages sub-sector and the Agriculture sub-sector. To further enhance our expertise in this field, nine of our full-time staff completed a specialised training programme conducted by the University of Malaya, qualifying as Halal Executives under Majlis Profesional Halal, JAKIM. With this recognised qualification and deeper understanding of the intricacies of the Halal industry, we are better positioned to identify customers who are ready to apply for JAKIM Halal certification and provide them with valuable guidance on the necessary steps.

Shariah excellence remains a crucial business enabler for HLISB, as we continue to foster a strong culture of learning centred on creating value-based outcomes both within the Bank and the community we serve. In FY2023, we strengthened our Shariah compliance culture through disciplined implementation of Shariah governance and training programmes, which has improved awareness among our staff and key stakeholders at Hong Leong Group.

Apart from the annual Shariah Compliance programme, our dedicated Shariah team has actively engaged in various business-focused research activities and knowledge-sharing programmes with the community. This proactive approach ensures that we remain at the forefront of Shariah-compliant practices and provide our customers with the highest standards of financial services.

Moving Forward

HLISB remains firmly committed to leading the growth potential of Islamic Finance and fulfilling its pivotal role in bridging gaps and broadening access to Islamic financial services for both individuals and business communities. To realise this vision, we are dedicated to offering a comprehensive array of value-based finance solutions, supporting financial inclusion through our Islamic wealth management services, expanding our offerings to SMEs and Halal businesses, enhancing our workforce through upskilling initiatives, and venturing into the realm of Islamic social finance. By adhering to these strategic directions, we aim to strengthen our position as a prominent player in the Islamic finance industry and continue making a positive impact on the communities we serve.

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5 INTERNATIONAL

HLBS LOANS GROWTH OF

22.9%

Y-O-Y

HLBVN LOANS GROWTH OF

18.3%

Y-O-Y

HLBCAM LOANS GROWTH OF

5.6%

Y-O-Y

Bank of Chengdu ("BOCD")

In the year under review, BOCD delivered impressive profit growth, contributing a significant portion to the Bank's PBT of RM1.3 billion, representing a 25.0% improvement compared to the previous year. This positive performance can be attributed, in part, to HLB's increased shareholding in BOCD resulting from a recent convertible bond conversion.

Moving forward, BOCD is committed to further strengthening and expanding its PFS, financial market, and wealth management businesses. It aims to enhance its presence in Chongqing and other branches outside Chengdu to further solidify its leading position. The ultimate goal is to become the preferred bank for enterprises and residents in the region. To achieve this objective, BOCD will focus on enhancing competitiveness through continuously improving digital transformation, risk management, information technology, and human resource management practices.

Hong Leong Bank Singapore ("HLBS")

In FY2023, HLBS demonstrated improved performance, with an operating profit of RM86.4 million (FY2022: RM78.5 million) and total income of RM223.1 million (FY2022: RM187.4 million). The growth of the loan book also contributed to the positive results, with a 22.9% y-o-y increase of RM1.7 billion to reach RM9.4 billion.

HLBS has been undergoing a transformation in recent years to become a more comprehensive financial services provider, expanding beyond its niche Private Wealth Management ("PWM") focus to include BCB and targeted segments of PFS. This strategic shift has enabled HLBS to broaden its customer coverage.

In the PWM business, HLBS is aiming to become a regional hub for high-net-worth business owners and their families. To achieve this, PWM has upgraded its wealth platform, introduced new products and services through a Regional Advisory and Financing framework, and enhanced the customer experience through digitalisation.

PFS has experienced notable growth, particularly in the niche Auto Finance and mass affluent depositors segments. In its next phase of transformation, PFS is expanding its reach to millennials in order to capture a larger portion of the mass affluent market. Digitalisation is a key focus to meet the needs of this digitally savvy consumer base, enabling swift delivery of a wider range of products and services. The launch of the HLB Connect Singapore Mobile Banking app further supports this goal, providing on-the-go banking convenience.

BCB has achieved impressive growth since 2021 by refocusing on expanding its commercial and SME customer base within the local business community. BCB serves customers across various sectors, including manufacturing, construction, food, wholesale trade, and financial services. The value proposition of BCB is to support customers in their local and regional growth by offering simple and reliable solutions. Digital platforms for cash management and trade financing that we offer are also able to enhance market connectivity. Digitalisation efforts, such as the launch of a corporate internet banking platform in FY2022 and the addition of a payment gateway platform in FY2023, also contribute to BCB's value proposition.

Hong Leong Bank Vietnam ("HLBVN")

In the first half of calendar year 2023, Vietnam's economy experienced a mild slowdown, with a y-o-y increase of 3.7% while credit growth decelerated to 4.7% during the same period. Despite these conditions, HLBVN delivered another year of strong performance in FY2023. HLBVN achieved impressive loan growth of 18.3% and deposit growth of 42.8% y-o-y, while maintaining a low Gross Impaired Loans ("GIL") ratio below 0.10%. Total income saw a significant increase of 32.7% y-o-y, driven by robust loan growth and a noteworthy improvement of 21 basis points in Net Interest Margin ("NIM"). HLBVN's diligent cost management resulted in a 13-percentage point reduction in the Cost-to-Income Ratio ("CIR"), and PBT soared by 115% to reach RM23.6 million.

HLBVN continues to prioritise investments in channels and product solutions to better serve its customers. In early 2023, the branch introduced the telemarketing channel, complementing its existing digital channel, to provide an unsecured personal loan product. Additionally, HLBVN established a partnership with Chubb Life Vietnam to offer life insurance solutions, catering to the protection needs of personal customers. After successfully launching a new mobile app and eKYC for retail customers, HLBVN is now focusing on enhancing its digital banking platform for business and corporate customers, further expanding its digital offerings.

Hong Leong Bank Cambodia ("HLBCAM")

HLBCAM has maintained a steady gross loan portfolio of RM2.6 billion, while also preserving the deposit book at approximately RM2.2 billion. The bank's total assets stood at around RM3.4 billion as of June 2023.

The strategic priorities for HLBCAM are focused on accelerating customer acquisition and growing the local deposit base, while effectively managing and expanding the lending book with qualified existing customers. HLBCAM remains committed to accelerating the digitisation of its operations and strengthening its digital offerings to meet the evolving needs of customers. Simultaneously, HLBCAM is dedicated to enhancing operational efficiency and productivity through strategic cost management and proactive risk management, ensuring sustainable growth and further expanding its customer base.

Training and talent management are key priorities for HLBCAM. HLBCAM fosters a high-performance culture where employees are empowered through the core values of Innovate, Collaborate, Decisiveness, Have fun and Here for the long term. HLBCAM adopts a competency-based approach to learning, developing the skills and abilities of employees to meet the specific requirements of their roles.

HLBCAM also places importance on creating a harmonious working environment and strengthening employee engagement. Celebrating wins and having fun is ingrained in our corporate values, resulting in various events and activities such as New Year celebrations, International Women's Day, staff town halls/appreciation days, team building by division, and museum visits.

Furthermore, HLBCAM is committed to participating in charitable activities in Cambodia. One notable initiative is its support for the demining efforts of the Samekh Techo Project for Mine Action ("STP-MA") where HLBCAM is a Gold Sponsor for a charity event organised by the Malaysian Business Chamber of Cambodia in collaboration with the Cambodian Mine Action Authority ("CMAA"). This initiative contributes to the Royal Government of Cambodia's goal of achieving a mine-free Cambodia by 2025.

Looking ahead to FY2024, HLBCAM's strategic priorities include leveraging its regional strength to promote the franchise, enhancing the customer experience, and delivering greater value propositions in both physical and digital channels in response to the current economic and business environment. A significant focus will be on investing in human capital, building staff bench strength, and equipping employees with the necessary hard and soft skills to progress along a well-planned career roadmap aligned with the Bank's people agenda for FY2024 and beyond.

Hong Leong Bank Hong Kong ("HLBHK")

After experiencing a contraction of 3.5% in 2022, Hong Kong's economy rebounded with growth of 2.7% in the first quarter of 2023. This recovery has been driven by the relaxation of Covid restrictions in both Mainland China and Hong Kong, resulting in increased visitor arrivals and domestic demand. However, Hong Kong still faces macro-financial challenges due to factors such as rising interest rates, a slower-than-expected recovery in Mainland China, and declining demand from advanced economies.

Despite the challenging macroeconomic conditions, HLBHK has successfully executed its SME business strategy. By focusing on SMEs that qualify under the HK Government's SME Financing Guarantee Scheme, HLBHK achieved a significant doubling of its loan growth in the current financial year compared to FY2022. With the reopening of borders between Mainland China and Hong Kong, the SME sector is expected to continue its growth trajectory. In addition, the Global Markets team has collaborated closely with the BCB team to capture market share through competitive FX rates. To mitigate the impact of rising interest rates, the Global Markets team has maintained strong liquidity levels and judiciously increased earning assets.

Looking ahead, Hong Kong is expected to recover from the pandemic and further integrate into the Greater Bay Area ("GBA"). The Hong Kong Branch, capitalising on the city's status as an international financial centre and a financial hub for Mainland China, will leverage the extensive network of Hong Leong Bank in Malaysia, Singapore, and other Southeast Asian countries to drive further business growth.

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6 INFORMATION TECHNOLOGY ("IT")

In FY2023, our IT division made significant progress in driving digital adoption and sharpening our digital capabilities across the Bank. Its efforts were directed towards digitalisation, customer-centricity, cybersecurity, data protection, fraud mitigation, ESG factors, and cost sustainability. Digital adoption has clearly increased across all customer segments, and the Bank's commitment to being "Digital at the Core" is as evident as ever as various solutions were implemented to deliver improved services to both external and internal stakeholders.

This year, the team expanded to approximately 500 people and completed 1,094 system enhancements and delivered 55 projects, showcasing a 16% increase in enhancements and a 25% increase in project delivery compared to the previous year. Today, the IT team manages and maintains over 200 technology applications across multiple geographies, with most systems being on-premise and 15 being outsourced or cloud-based.

In spite of the numerous projects we handled, we are pleased to highlight that two key projects involving the commissioning of a new data centre and the implementation of a new data warehouse were carried out without disruption to the business. The new data centre was also a noteworthy achievement given its ESG-aligned characteristics as it received recognition as the greenest data centre in Malaysia, achieving the highest tier of certification available. Overall, HLB continues to remain committed to providing sustainable, cost-efficient, scalable, agile, and robust systems to support our growth ambitions.

Enabling the Business

Throughout the past year, our focus on IT development has been unwavering as we strive to enhance our business operations and services. Our key focus areas of 'Governance', 'Customer', 'People', 'Cost' and 'Data Analytics' and 'Data Analytics' have been central to this endeavour. We remain committed to executing strategic initiatives and driving our digital transformation strategy in collaboration with the business stakeholders. In continued alignment with ensuring sustainable costs, we prioritise the development of scalable IT solutions built in-house where possible, utilising enterprise open-source software. This is also where optimising operational efficiency while reducing overall costs comes into play. Through process automation, system consolidation, and the adoption of cloud-based solutions, we have achieved cost savings without compromising the quality of our services. In addition, we continue to recognise the critical priorities of cybersecurity and data protection which is fundamental to our business operations.

In the context of cloud enablement, HLB continues to take a cautious stance, keeping the greater majority of systems and services housed, managed, maintained and secured within the franchise. Our stringent stance towards the adoption of cloud services has also mitigated against rising foreign exchange and inflation and we will continue to monitor developments in this space. However, for instances where we have adopted cloud (e.g. with Google), we have seen the collaborations delivering secure and competitive capabilities to the franchise.

Governance

We prioritise governance as a crucial aspect of our operations especially in a highly regulated environment like ours. To meet regulatory requirements and ensure consumer protection, we continuously adapt and improve our processes. During the reporting period, we implemented advanced technology solutions to strengthen our fraud monitoring and detection systems to enhance customer protection.

Notably, we successfully deployed a new fraud monitoring system in Singapore and a merchant transaction monitoring system in Malaysia. These real-time systems further enhance our ability to limit fraud vectors and protect our stakeholders. Our dedication to technology governance aligns with our broader objective of embracing innovation to optimise our business processes, ensure regulatory compliance, and strengthen our position as a trusted financial institution.

Customer

Our focus on customer-centricity remains steadfast as we aim to enhance the customer experience by minimising friction wherever possible. However, in response to sophisticated social engineering fraud, we are introducing some friction into the ecosystem where necessary to ensure greater security. Thus, there are instances where measures such as time-bound actions or temporary halts are required, particularly for high-risk transactions. These measures provide customers with the opportunity to reconsider decisions and ensure their utmost satisfaction and protection.

We are also continuously improving self-care functionalities and expanding our digital offerings to provide convenient access to banking services, allowing our internal stakeholders to devote more time to customer-related activities. Our "Digital at the Core" ethos drives us to develop innovative digital capabilities that cater to the needs of our consumer and business customers. This customer-centric approach, based on rich data insights, enables us to deliver prompt solutions, offer personalised recommendations, and create tailored experiences that enhance our customers' financial journeys.

ENABLING BUSINESS BANKING

Corporates and SMEs are vital to HLB's business and we have simplified business banking for them. Our online channels have been well received, with high adoption rates and positive reviews. We have also seen significant growth in online transactions, with a 40% and 105% increase in transactions on HLCF web platform and mobile platform respectively.

We are committed to enhancing our systems and delivering new capabilities for corporate clients, including straight-through processing for seamless self-service options. We recognise the importance of mobile solutions and are introducing tailored mobile banking, payment solutions, and real-time notifications for businesses on the go.

Our focus on customer satisfaction, the exponential growth in online transactions, and our dedication to innovation contribute to the success and enablement of corporate and SME sectors. We strive to provide efficient and user-friendly experiences, equipping businesses with the tools they need to thrive in the digital world.

Making Retail Banking Safer, Quicker & Better

Our IT team continues to collaborate on the transformation, migration, and enhancement of retail online services. The positive growth and adoption of these services are evident through customer satisfaction surveys, with average ratings of 4.35 for web interfaces and 4.38 for mobile interfaces out of a maximum score of 5. The relevance and convenience of our online channels has seen the number of registered customers on our web channels up by 12% compared to the previous year, with a 12% y-o-y increase in active users. Monthly transactions have also shown a 3% increase, highlighting the ongoing preference for online banking. Our in-house designed mobile interface has experienced a 19% growth in registered users and a strong 23% increase in monthly transactions.

While leveraging open-source technologies, our focus remains on delivering reliable and user-friendly services. We prioritise the performance, scalability, and availability of our interfaces to ensure a secure and dependable banking experience for our customers.

In terms of enhancements, we have placed a strong emphasis on fraud mitigation. We introduced an emergency lock functionality for the mobile application, allowing customers to freeze all online services in case of suspected fraud. Our secure AppAuthorise service has been integrated with online merchant payments and digital onboarding, reducing reliance on SMS and enhancing security measures. In the upcoming reporting period, we will further extend the use of this technology to mitigate consumer fraud risk.

In addition to our ongoing efforts to mitigate fraud at the frontend, we have enhanced the backend data validation service to detect and prevent erroneous transactions, including the challenge of online service usage from different devices. Furthermore, we have introduced new services across our diverse markets. Some notable additions include an Auto Loan e-acceptance capability, enabling customers to review and accept loan documents conveniently. We have also enrolled in the cross-border Quick Response Code ("QR") initiative, allowing customers to scan and transact with our mobile banking application across multiple countries. Additionally, Google Pay integration has provided secure tokenised enrolment of HLB cards, enabling customers to make transactions using their Android devices' Near Field Communication ("NFC").

Another achievement is the implementation of post-login chat functionality within the Malaysian Mobile Application. This feature allows customers to seamlessly communicate with call centre representatives after authentication, reducing the need for manual identity verification. This new channel includes features like a queue function and chat history, offering convenience and reducing call centre volumes.

We have also brought our digital and wealth business online, combining existing technological platforms to create a Self-Directed Portal and a Relationship Manager Assisted Tablet Solution. These tools empower customers to self-service their investments through Retail Internet Banking ("RIB"), catering to different customer segments. Through these developments, we aim to enhance customer experience, provide efficient self-service options, and streamline operations across our various business areas.

Across the region, we have made consistent upgrades and enhancements for both internal and external stakeholders across different geographies. Notably, we developed a new mobile application specifically for Singapore to meet the growing demands of our retail banking clients. This platform enables us to roll out more digital offerings and enhance features based on market demands. To boost security, we introduced a new online transaction monitoring system to identify unusual user behaviour and transactions, assigning risk scores and denying actions until verified by the registered customer.

We also delivered a new trade services system that improves the review and approval process for trade applications for Singapore. This system provides real-time information on goods, vessel details, and anti-money laundering ("AML") capabilities, enabling stakeholders to expedite approvals and disbursements more efficiently.

In Cambodia, we achieved significant milestones by enhancing user interfaces for internet banking and enabling online enrolments for the Bakong payment system. Bakong, introduced by the National Bank of Cambodia, allows real-time retail local payments and additional payment-based services, such as transfers between accounts and different banks. We also integrated with the Cambodian Shared Switch ("CSS"), providing more payment options for our customers and facilitating routing, clearing, and settlement of debit card transactions in Cambodia.

Looking ahead, we will continue to collaborate and bring new services online, prioritising performance, scalability, and security. Our goal is to provide customers with convenient and secure online banking experiences while minimising friction whenever possible.

Operational Resilience

The IT team continues to play a crucial role in ensuring the operational resilience of the franchise, and the last reporting period was no exception. By automating critical processes, facilitating technology refreshes, and re-platforming systems in alignment with the guiding principles, the team continues to contribute significantly to enhancing the efficiency, reducing risks, and maintaining business continuity.

During the reporting period, two major projects were undertaken to enhance operational resilience and business capabilities. The first project involved commissioning a state-of-the-art data centre, certified as a Platinum Plus facility by the Green Computing Initiative ("GCI"), making it the greenest data centre in Malaysia as at February 2023. The data centre was successfully completed, ensuring uninterrupted service and minimal downtime as per Tier 3 standards for reliability and availability.

The second project involved replacing the data warehouse with a modern, non-proprietary system, offering centralised data management, enhanced data analysis, improved data quality, scalability, and simplified data integration. These projects were complemented by additional initiatives to ensure operational resilience, including alerts enhancements, patching automation, system refreshes, and technology re-platforming.

During the year under review, we also encountered new and unique challenges that we had never seen before and took it as an opportunity to further increase the resilience of the HLB IT ecosystem. These challenges have prompted a rethink in some instances on the best practice principles and on what we need to do collectively with our partners to strengthen our overall resilience. Our ultimate goal is to not only achieve 24/7 availability for our customers, it is to also achieve speed at which the service is delivered.

People

HLB recognises the vital role of its employees in the IT team and their contribution to our ongoing success. In FY2023, we prioritised enhancing their capabilities and fostering a culture of continuous learning and development. Our talent development programme encompasses IT graduates being assigned to teams based on their preferences and strengths, which are then mentored by senior professionals. We emphasised continuous learning through regular training sessions and workshops, while ensuring fair remuneration and maintaining open communication channels to address employee aspirations.

Overall, our talent development programme aims to equip IT graduates with the skills, knowledge, and experience needed to excel in the industry. Through practical training, mentoring, and exposure to experienced senior team members, we strive to build a skilled workforce capable of driving innovation and success within the organisation and continues to produce fit for future talents.

With the introduction of the new talent and the continual upskilling of the Development Centre of Excellence ("CoE"), we continue to provide robust and meaningful solutions to the HLB Franchise at sustainable cost and accelerated speed with this model, the team delivered around 40 enhancements to corporate internet sites, more than 145 enhancements to mobile banking and over 325 enhancements to internet banking. These efforts have helped to save considerable time and expenditure in facilitating services to customers and demonstrated the team's ability and agility to come up with innovative solutions that deliver significant value to the Bank.

Data Analytics

Data analytics remains a key focus for our franchise as we continue to invest in technology and people, demonstrating our adaptation capabilities. We have successfully replaced the older data warehouse in the reporting period with a new and more sustainable solution. The newly introduced system has real-time capabilities and can assemble both structured and unstructured data using common and readily available tried and proven programming languages.

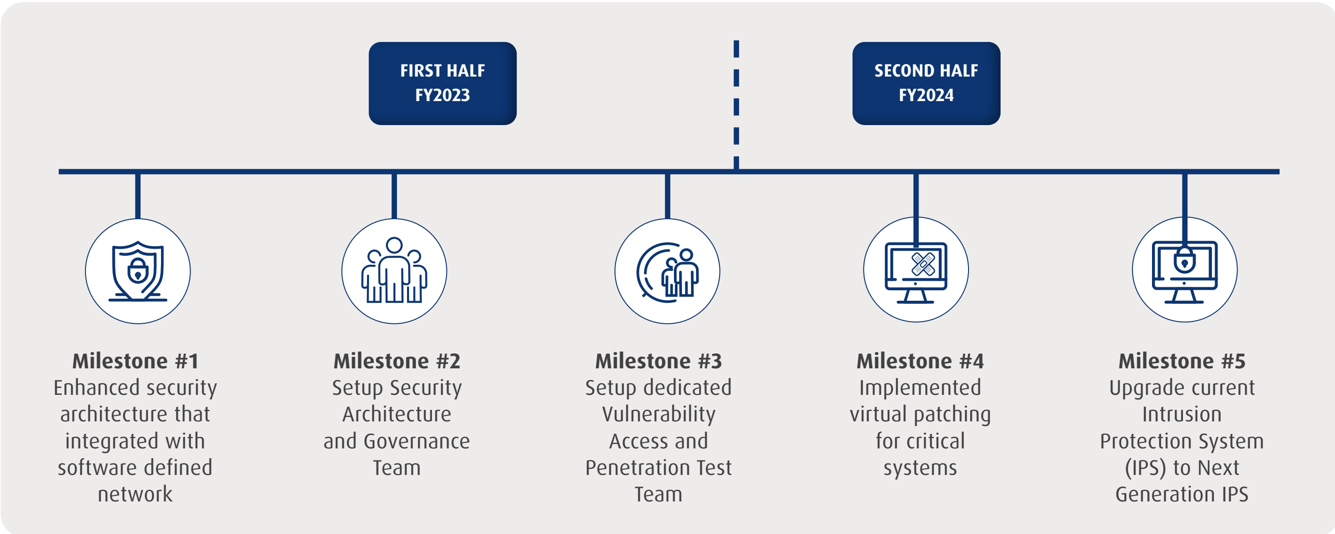
Alongside the implementation of the new data warehouse, we have invested in building a strong in-house data team residing within IT. This team, comprising 36 skilled professionals, covers various areas of expertise, including ETL design and development, data modelling and mapping, campaign feasibility, campaign development, data extraction, and business analysis. Their collective knowledge and experience have been instrumental in ensuring the success of the data warehouse project and will equip and enable HLB well into the future leveraging the "Built by Us" mantra.

Cybersecurity

As financial services become increasingly digitalised, cybersecurity emerges as a significant risk for financial institutions. The digital ecosystem offers great benefits but also exposes vulnerabilities, including operational disruptions, data breaches, fraud, and financial losses. Effectively managing these risks is crucial to maintain trust, stability, and financial results. To address this, we have continued to manoeuvre strategically in the management of our security architecture and governance.

This includes adopting a software-defined network structure with multi-tier security and establishing a security architecture and governance team to enforce standards aligned with regulatory guidelines. A dedicated Vulnerability Assessment and Penetration Test ("VAPT") team has also been formed to identify and address security weaknesses. In addition, the Bank has implemented virtual patching for critical systems to prevent exploitation of known vulnerabilities. Furthermore, we have upgraded to a next-generation Intrusion Protection System ("IPS") and there are plans to implement Network Behaviour Analysis ("NBA") capabilities for advanced threat detection.

Looking ahead, the Bank plans to modernise its Security Information and Event Management ("SIEM") platform to improve incident response and forensic investigation capabilities and expanding it to include Security Orchestration, Automation, and Response ("SOAR") capabilities. This will result in increased efficiency, faster response times, improved collaboration, and an overall enhanced security posture. Meanwhile, there is also an ongoing initiative to implement a security operations platform for proactive vulnerability tracking and remediation.



Looking Ahead: Embracing Progress with Purpose

As we embark on the new reporting period, Hong Leong Bank IT is committed to relentlessly supporting all our stakeholders, including both external and internal stakeholders. In the upcoming reporting period, we are committed to providing seamless banking services, fortifying technology infrastructure, and prioritising stakeholder protection and satisfaction.

7 DIGITAL & INNOVATION OFFICE

During the year under review, HLB has made significant strides towards becoming a leading ASEAN financial services company, driven by our brand promise of "Built Around You". Our digital services have experienced steady growth, accompanied by strong customer satisfaction ratings.

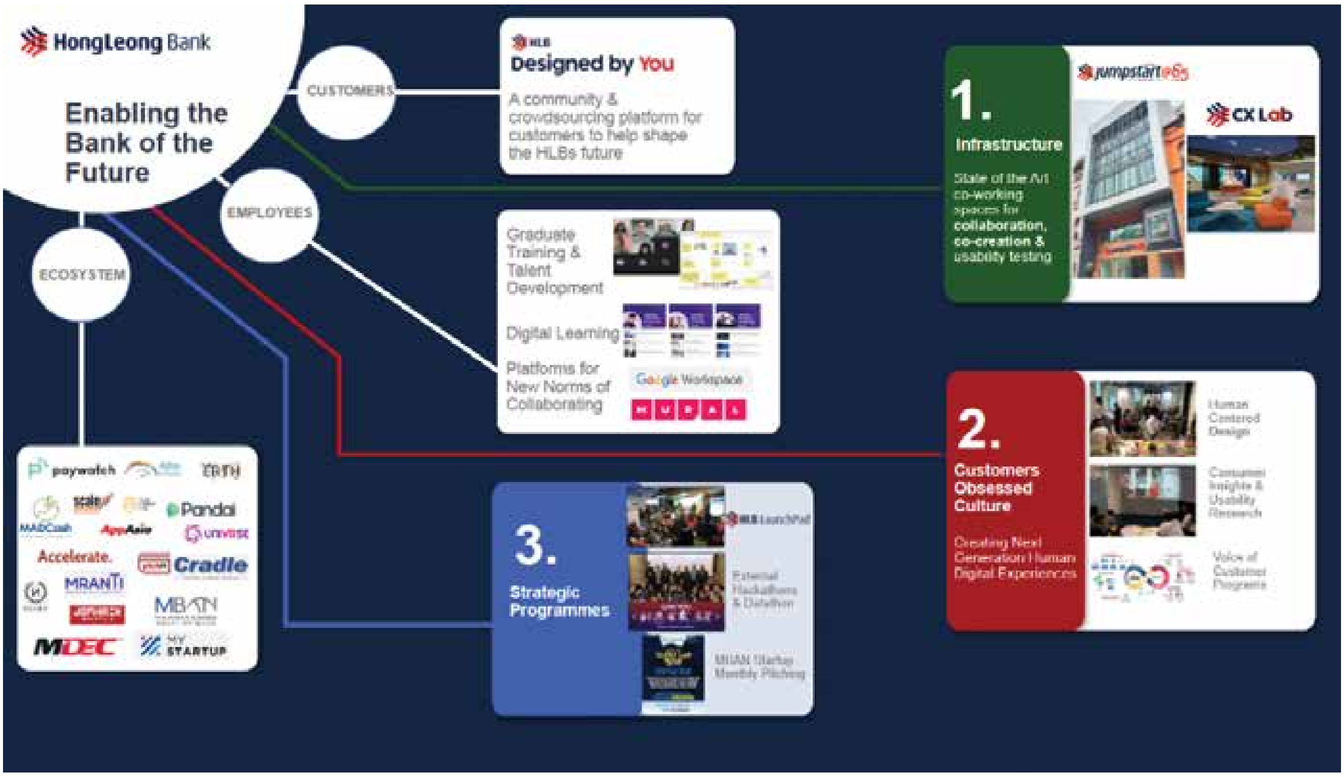
Our digital-first mindset, fostered through collaboration between our product and channel teams, has enabled us to develop effective solutions that cater to our customers' evolving wants and needs.

We prioritise execution based on customer insights and feedback to ensure we stay aligned with customer expectations. This empowers us to introduce new digital capabilities, promoting widespread adoption and financial inclusivity.

Of our 3.7 million retail customer base, 2.6 million customers (a 12% y-o-y increase) have adopted our digital platforms, reflecting the success of our digital-first approach. We witnessed an increase in our retail internet and mobile banking customer base, growing by 13% and 16% respectively. These statistics highlight the growing preference for digital channels. Furthermore, our digital platform has processed 199 million transactions, a 12% y-o-y increase, reinforcing the trust our customers have in our reliable digital services. In addition to a solid growing user base, our digital channels have achieved a strong Customer Satisfaction Score ("CSAT"). For mobile banking, we received a 4.38 rating on a 5-point scale and an 86% Top-2-Box score while our online banking received a rating of 4.35 and 89% Top-2-Box score.

Our digital capabilities have greatly benefited our business customers as we successfully onboarded 32,458 businesses digitally in the last 12 months alone, a 40% increase from the previous year. This shift has resulted in a significant 26% reduction in over-the-counter transactions for businesses, as they embrace our ConnectFirst digital platform. Online banking transactions have increased by 40% y-o-y to reach 13.2 million, while mobile banking transactions have risen by 105% y-o-y to reach 4.9 million. We also scored positive ratings with our business customers, with a mobile banking CSAT score of 4.65 and 90%, and an internet banking platform score of 4.49 and 86%.

With notable results of our new digital capabilities, our success in digital innovation can be attributed to the strong foundation built upon three key pillars: Infrastructure, Customer-Obsessed Culture, and Strategic Programmes. We continue to be guided by these pillars as we undergo our transformation into the Bank of the Future, ensuring sustained growth and customer-centricity.



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PILLAR 1: INFRASTRUCTURE

Enabling Innovation with the Right Environment and Solutions

We have integrated our community hub, Jumpstart@65 ("JS@65") into our innovation strategy and by leveraging on cutting-edge technology such as the Tobii eye-tracking solution, we have successfully cultivated a culture of co-creation and experimentation with customers throughout the lifecycle. Over the course of the year, we have engaged with more than 3,000 stakeholders including consumers, business owners, and bank staff through 21 customer research engagements. Our extensive usability research has played a crucial role in shaping our strategic decisions and product roadmap. This enables us to create highly personalised experiences that provide maximum value to our customers.

JS@65 is not only utilised by bank-affiliated social enterprises for training and brainstorming purposes, but also to conduct community engagement. For instance, JS@65 hosted school holiday programmes by the Chumbaka and Arus Academy which are two social enterprises. The interactive programmes provide computational thinking skills to our employees' children aged nine and above, making use of gamified coding lessons. These sessions equipped them with valuable knowledge in an engaging and enjoyable manner. Over three days, participants learn coding, pattern recognition, and algorithm design using Scratch, Python, and JavaScript. Parents can work from our co-working spaces while their children actively participate in the coding camp.

PILLAR 2: CUSTOMER-OBSESSED CULTURE

Ensuring that Our Business is "Built Around You"

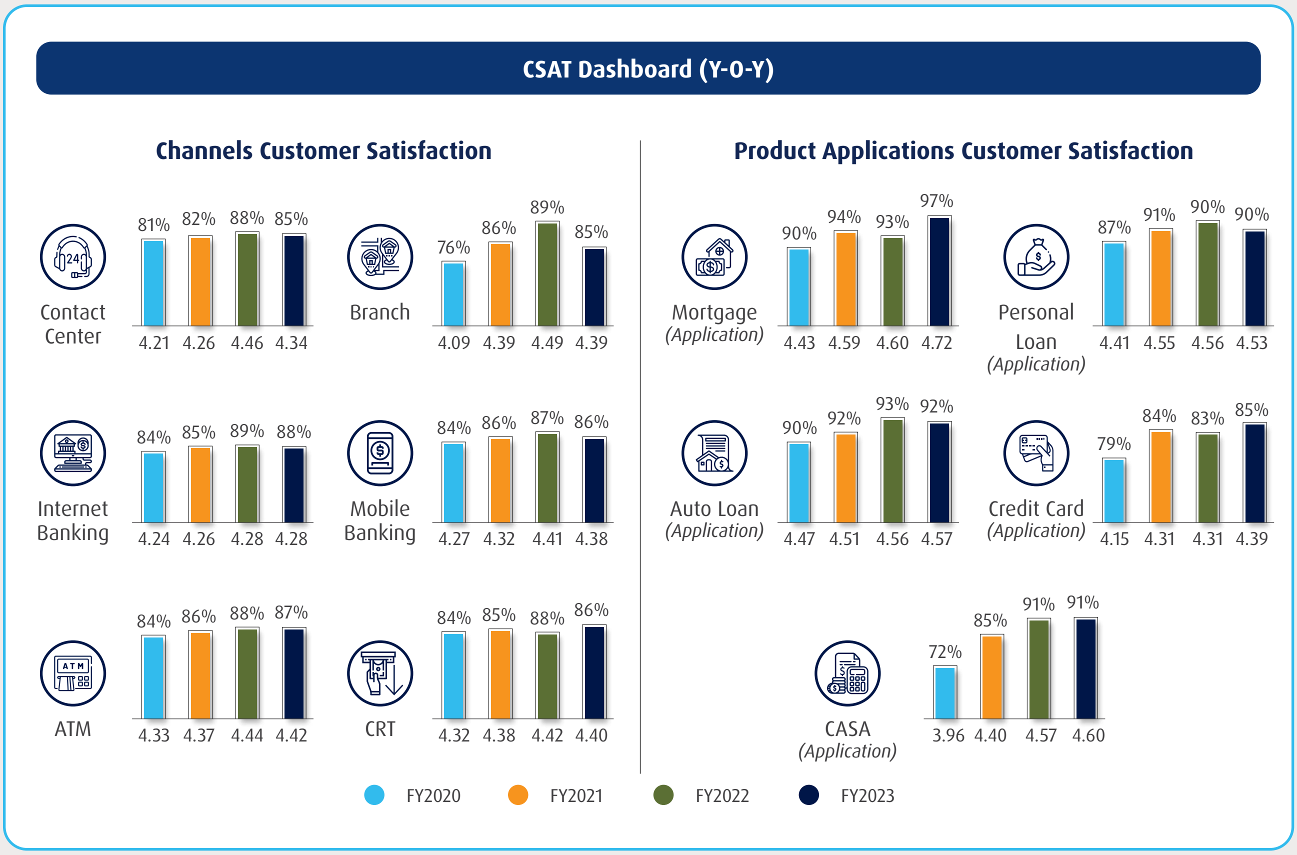
Our customer-obsessed culture is highly prioritised and practised throughout the Bank, as we invest in initiatives to develop experiences and solutions that are aligned with the needs of our customers. By keeping our customers at the centre of our focus, we gain deep insights into their needs and challenges to deliver innovative phygital experiences that align with their ever-evolving expectations. A notable catalyst for innovation within the Bank is our exclusive "Designed by You" ("DBY") community platform. This platform enables us to reimagine insights discovery, simplify banking products, and deliver financial experiences that truly prioritise our customers. DBY boasts over 12,500 community members and facilitated more than 46,000 engagements to date, which is an increase of 34% and 59% respectively from the previous year. Since its inception in 2021, our platform has received over 3,200 ideas and suggestions, allowing us to better understand customer needs and highlighting our commitment to transforming customer-centric concepts into reality. Alongside our regular interactions, we also organise physical Meet and Share sessions at JS@65 with existing members and foster financial confidence with them. Over the past year, we have welcomed more than 3,000 new programme members.

PILLAR 2: CUSTOMER-OBSESSED CULTURE (CONT'D.)

Advocating our brand promise of being "Built Around You" to understand our customers' perceptions and experiences, our Voice of Customer ("VOC") platform, which collects customer feedback on touchpoint experiences, has gathered feedback from more than 286,000 customers.

During the year under review, we significantly reduced the manual effort needed to analyse customer sentiment trends by 53%, through the effective usage of machine learning. We are further investing in building 19 new near- real-time Tableau dashboards to equip the Bank's product and channel owners with real-time CSAT scores, providing an avenue to make fact-based decisions.

With these advancements in place, our VOC initiative has made substantial progress in improving our CSAT. Our channel satisfaction and product satisfaction scores are approaching our ambitious targets of 4.35 and 90% respectively. These achievements are a testament to our customer-centric approach and underscore our dedication to providing exceptional experiences that not only meet but go beyond our customers' expectations.



Note: Percentages represent the Top 2 Box ("T2B") scores, with T2B referring to the percentage of customers who rated us 4 or 5 out of the 5-point scale - satisfied or very satisfied customers. The number scores represent the average customer rating score out of the 5-point scale.

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PILLAR 3: STRATEGIC PROGRAMMES

Building an Enriching Culture of Innovation through Knowledge Exchange

Recognising the importance of interconnected ecosystems in driving innovation, we actively foster collaborations with strategic partners, public institutions, and private organisations beyond the banking industry. This enables us to encourage experimentation, facilitate knowledge exchange, and cultivate a culture of innovation. One of our initiatives, the HLB LaunchPad mentorship programme, supports young entrepreneurs and develops the local startup ecosystem. Through this programme, we co-create digital banking solutions that have the potential to shape the future of our society, building upon our strong belief in supporting entrepreneurship.

Since 2017, we have accumulated over 350 applicants to pitch their inventive ideas. These pitches are catalysts of 33 collaborations that enabled HLB to offer value added services to our customers above and beyond financial services. In support of the programme's winners, our reputable network of mentors have dedicated over 2,000 hours to date. They have exposed our winners to the market landscape, helped them build new capabilities and scale their business.

For this financial year, we have forged partnerships with HLB Launchpad participants, including PayWatch, Alfie Tech, and MADCash. With PayWatch we launched our Salary Advance Employer Solution, a service that allows employers to offer their employees up to 25% of their earned salary in advance. This makes us the first bank in Malaysia to provide this highly sought-after employee benefit to corporates. Meanwhile, HLISB worked with Alfie Tech and MADCash to introduce a social finance programme that provides funding to individuals who are unable to secure full time-employment.

Furthermore, we have selected three impact start-ups including Pandai, Accelerate Global, and Dialogue for All. In collaboration with the Edutech startup, Pandai, we are actively pursuing opportunities to promote financial literacy among young individuals. Through this partnership, we aim to provide value-added services that complement our financial products and enhance the overall financial wellbeing of the youth. Our partnership with Accelerate Global focuses on furnishing underprivileged communities with the knowledge and skills required to navigate in the digital world, enhancing their economic prospects and social mobility. With Dialogue for All, we aim to create meaningful employment opportunities for differently-abled individuals, upholding our belief on diversity and inclusive environment within the Bank.

We also prioritise the development of future innovators who possess the ability to think creatively and deliver customer-centric solutions. Through a combination of structured learning and on-the-job training, our Management Associates and Digital Graduate Trainees are equipped with the necessary skills and confidence to drive the Bank's digital transformation. We conduct initiatives such as frequent Brown Bag sessions on customer experience and human psychology and in-house training programmes on Design Thinking and Agile methodologies. We also curated digital courses on customer-centricity, emerging technologies, and accelerating innovation to ensure that all employees have access to comprehensive learning opportunities. Under each series, all employees are guided in a comprehensive range

of topics, such as the principles of user-centred design, how natural language processing AI models are applied in customer service touchpoints, and how digital banking is reshaping the future of financial services. Our initiatives have empowered our staff to stay ahead of industry trends, cultivate innovation, and contribute to the Bank's continued success.

As a digitally-obsessed bank, we recognise the importance of cultivating a network of individuals who share our passion for experimentation. By fostering an ecosystem of like-minded innovators, we are empowered to explore emerging technologies, experiment with new concepts, and efficiently implement transformative solutions.

Our annual "Can You Hack It" hackathons showcase our openness to experimentation and co-creation, as we strive to leverage next-generation technology to deliver unique, immersive, and personalised banking experiences for our customers. Since 2018, over 700 exceptional individuals have participated in our hackathons, generating more than 300 ideas. Some of these leading ideas have been turned into prototypes that could potentially shape and contribute to the future transformation of the Bank.

In the latest edition last November, we successfully convened 90 participants, consisting of technology enthusiasts, developers, and start-ups to present their innovative ideas that can revolutionise the banking experience for customers through hyper-personalisation and the Metaverse.

During the three-day hackathon, 35 prototypes were developed, with the top three ideas selected. Among these ideas were a fun and customised bank statement solution, a mobile app that leverages psychology and AI to deliver highly personalised experiences for micro financial goals, and a banking experience tailored to the lifestyle in the Metaverse. This hackathon was the first in Malaysia to explore this technology disruption for potential use cases.

Moving Forward

Our "Digital at the Core" strategy is pivotal in navigating the rapidly changing market landscape, giving us the agility to accelerate our digital transformation journey. In embracing a digital future, we are committed to progressively enhancing our phygital initiatives to deliver customer experiences that delight them. Although we have the reputation of being a dynamic, digitally driven and customer-obsessed bank, we recognise that innovation is an ongoing and evolving journey. We acknowledge the immense potential in next-generation technologies like AI, big data analytics, Industry 4.0 solutions, partnerships with startups and fintech firms, as well as the API economy and cloud-based solutions. The Bank's direction in embracing these opportunities will enable us to advance and gain long-term and sustainable success.

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8 HUMAN RESOURCES ("HR")

INTRODUCTION

Effective talent management remains a top priority in driving HLB's people agenda. During the year under review, we continue to work towards strengthening our talent pool and implementing new initiatives which are aligned with our "Digital at the Core" ethos and "Built Around You" brand promise. We are proud to highlight our key accomplishments on the talent management front in FY2023.

Our Reputation as the Employer of Choice

HLB maintains a high-performance culture fuelled by skilled and driven talents with the right mindset. The Bank values resilience, an aptitude for learning, and agility in a dynamic financial landscape, leading to strategic hiring and retention.

Our people culture emphasises personal and professional growth, as reflected in our Employer Value Proposition ("EVP"). Through various touchpoints, we showcase career paths to potential candidates, using multiple channels to attract suitable talents. Furthermore, HLB actively builds relationships with academic institutions to foster a pool of well-prepared professionals, continuously supporting talent acquisition efforts.

Collaborating with universities to scout for talents, we target key universities to attract desired talent by participating in career fairs as well as conducting campus recruitment days. To support our regional business needs, we proactively engage with talent at our key market hubs including Penang and Perak, which form part of the 20 engagement sessions we held during the year. These engagement activities comprise of physical career fairs, on-campus recruitment days, virtual career talks and university and public career fairs.

With the pandemic behind us, we heightened our on-ground presence at key academic institutions via our participation in internship and career fairs. Pictured (Clockwise from top right): Career talk at TARUC Penang with our regional business heads; campus recruitment day at INTI Subang; our participation in Graduan Aspire Career Fair at KL Convention Centre and a Career Workshop at INTI Penang.

Our internship programmes have proven to be one of our most effective recruitment methods and remains our core outreach strategy. Interns gain knowledge and valuable insights as well as establish working relationships with stakeholders, that prepare them for a permanent role in our organisation.

To encourage our employees to explore various career paths within our organisation through learning and development opportunities offered internally, we organise monthly 'career coach' sessions via our Virtual Brown Bag lunch and learn platform. Participants are given exposure to career progression tips such as ways to nurture healthy ambition, communicate with confidence and create effective work relationships. These initiatives have led to 884 employees transitioning to new roles or receiving promotions. Our employees can explore diverse career paths within HLB, taking on various responsibilities over time. This approach fosters positive employee experiences, retains institutional knowledge, ensures team stability, and boosts overall productivity.

Since 2019, our LinkedIn follower base has witnessed a growth from 29,000 followers to approximately 101,000 followers to date. For this financial year, our follower base grew by 37% y-o-y. To fortify our presence further in the digital space, we are working to pilot a full-fledged digital employer branding campaign which is targeted to be launched in FY2023/2024 via Facebook and Google. We will continue to leverage on our social media platforms to deliver employer branding efforts more efficiently.

Continuously Nurturing Talents

A crucial aspect of our talent management process is building a sustainable talent pool to support the organisation's business goals. Since 2016, the Bank has successfully on-boarded graduates through its Management Associate and Graduate Trainee Programmes, with 50% securing permanent positions in various divisions. This year, 51 individuals were identified and shortlisted for the HLB Leaders Programme, adding to a total of 149 employees chosen to bolster our pool of managers. The programme focuses on three pillars aimed at nurturing and developing talent, including:

- An Individual Development Plan discussion between the talent, HR and the line manager to determine the pace of each individual in attaining their development goals
- Developmental offerings tailored accordingly to the talent's needs
- Opportunities to encourage cross-functional networking and co-operation

A monthly 'career coach' session is available to all employees for knowledge enrichment on topics such as career progression with the help of experts from different fields including psychology, leadership and consulting.

We ensure that our people managers are given the right training on how to retain key talents through meaningful conversations which are carried out via our "Driving the People Agenda" workshops. Insights and outcomes that derive from these sessions are recorded as part of the performance management process on Workday for each employee. During the year, our newly promoted and newly hired people managers were engaged through the workshops to obtain insights for employee career aspirations and direction for possible internal recruitment opportunities.

Elevating Professionalism in Our People

We ensure that comprehensive policies are implemented to bolster excellence in our organisation, to deliver value to all stakeholders. HLB's strong compliance and governance policies enable our employees to maintain the highest level of professionalism and competency. Annually, our employees are required to fulfil a minimum of 40 training hours with at least one training day focused on topics of digital and/or sustainability. They also complete mandatory e-learning modules quarterly through the HLBWorkday platform. With the latest developments at their fingertips, they are empowered with knowledge to keep up with industry updates.

Our new e-learning platform, Go1, which is due to be launched in FY2023/2024, will give all employees access to more than 80,000 modules curated from over 200 content providers. Similarly, the platform is available through the HLB@Workday at any one time, from any location.

The Go1 platform will deliver a big learning and development impact for employees to grow through productive engagements.

Our new employees are introduced to the organisation firsthand via a virtual onboarding programme that includes pre-read materials, self-guided e-learning, and virtual classrooms focusing on fundamental banking topics. For newly promoted people managers, two essential workshops, namely the "Coaching for Performance" and "Driving the People Agenda", form part of their required learning. These workshops instil values of ownership and accountability, providing tools to manage their teams effectively in all aspects of talent management. Similarly, the Executive Presence workshop equips HLB Leaders Programme participants and nominated employees of their Head of Division with skills to engage key stakeholders through positive personal brand, communicating with confidence and impact as well as inspiring and influencing all employee levels.

We maintain a strong partnership with the Asian Institute of Chartered Bankers ("AICB") in the five core areas of governance, which are audit, anti-money laundering ("AML"), compliance, credit, and risk. This collaboration ensures that our employees are furnished and certified with the necessary skills to thrive in the ever-changing banking landscape. As part of the industry-wide commitment signed with AICB and the member banks of the Association of Banks in Malaysia ("ABM") in October 2017, all key personnel in critical job functions within these core areas are required to obtain relevant certifications within five years of their appointment date. We have identified 1,288 employees to complete the certification by 2028, out of which 39% are now pursuing their certifications while 26% have completed their respective courses.

Upholding Policies, Processes and Culture

At HLB, our values and policies form the foundation in guiding employees to find the balance between prudent risk-taking and reward, which promotes a high-performance culture. We are guided by our values to ensure that our actions are sustainable and add value to the communities in we are in (Here For The Long Term); respectful and beneficial to all (Collaborate to Win); accountable and can be realised (Decisiveness). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (Innovation) and celebrate new ways of learning (Have Fun!). The values are supported by four key policies - the HLBG Code of Conduct & Ethics, Talent Management Board Policy, Remuneration Board Policy, and Learning & Development Management Policy. Regular reviews of these policies ensure their relevance in a changing landscape, alignment with regulatory standards and as guidance to our business goals.

We prioritise a safe and healthy work environment to ensure that the wellbeing of our employees is taken care of. The Bank upholds a non-violent workplace and will act against unacceptable behaviours in any form of discrimination, harassment (including sexual harassment) or intimidation. We have in place our Code of Conduct and Ethics ("CoCE") which outlines our stance on discrimination and sexual harassment. The CoCE is available on our corporate website and employee intranet to ensure that our employees have access to, and understand and comply with the Code. The CoCE is also made known to them during the on-boarding process as well as through the quarterly mandatory e-learning modules.

We train our employees comprehensively on OSH-related topics and the OSHA (Amendment) Act 2022 where 195 employees from the Central region participated in 11 Emergency Response physical workshops which took place in the second quarter of 2022. E-learning sessions were rolled out in Q3 2022 and made mandatory bank-wide. We also introduced our First Aider physical workshops nationwide in the last financial year and we will be reorganising the sessions in this financial year to cover newly appointed/existing first aiders that were unavailable in the past workshops.

The Bank prioritises employee training and development to ensure strong compliance culture and the safeguarding of customers' interests. Training occurs at organisational, team, and individual levels, focusing on practical applications for everyday scenarios. In addition, key roles receive role-specific compliance courses, such as "No Training, No Sales" for SME banking employees and "No Certification, No Sales" for PFS/ PFS-i employees, ensuring product knowledge, compliance, and customer service skills for superior customer experiences.

To promote awareness and appropriate conduct, 100% of the Bank's workforce undergoes compliance e-learning modules annually. Moreover, 1,434 customer-facing employees receive custom role-based compliance training. Assessments which require a 70% pass score are conducted 30 days after the training to gauge effectiveness and knowledge retention, ensuring adherence to learned policies and procedures.

Sustainability at the Core of Our Business Practices

Our ESG and Value-based Intermediation Financing and Investment Impact ("VBI") frameworks propel us to creating long-term solutions for our stakeholders. All levels of the organisations are exposed to our sustainability capacity building via bank-wide training sessions from onboarding, mandatory e-learning to new opt-in learning modules that are published together with WWF.

This year, over 1,600 employees have completed modules covering various aspects of sustainability, including preparing corporate sustainability reports utilising sector-relevant disclosures and best practices in engaging stakeholders. As of FY2023, over 8,000 employees have completed the mandatory sustainability e-learning, and sustainability is now integrated into the onboarding sessions for new hires, with more than 1,800 new hires attending sustainability training during their onboarding.

Our role-based training continues to focus on upskilling Account Relationship Managers in Business & Corporate Banking and Credit Risk teams to conduct client-level ESG due diligence and social risk and impact assessments. This year, 469 employees from the PFS Credit Division benefited from the Climate Change and Principle-based Taxonomy training. Leaders and sustainability experts throughout the organisation also benefit from targeted training through conferences and workshops.

To drive further awareness and engagement, our divisions also organise sustainability initiatives to complement our bankwide actions. Examples include the PFS Credit Division's Go Green campaign, which saw employees recycle 16,000kg of paper, fabric, metal and plastic.

For Sustainability Month, the Bank organised a series of activities such as e-waste collection, a webinar on food waste as well as workshops on transforming cooking oil into soap and a bazaar, with the participation of 1,910 employees.

Acknowledging the Best of Our Talents

HLB's three key pillars of employee engagement, employee appreciation and employee wellness form the foundation for the Bank to offer employees impactful experiences with us at every stage of their professional career.

Purposeful Employee Engagement

In FY2023, our engagement activities were based on three lenses:

- To build employees skills and aspiration through monthly career coaching sessions – conducted via virtual brown bag lunch and learning sessions
- To sharpen our focus on both physical and mental aspects of wellbeing – executed through our collaboration with our health vendor with the health screening activity while our monthly 'doctor in the house' virtual sessions emphasised topics based on employees' top outpatient concerns from the outpatient data of our healthcare providers
- To focus on building community bonds – engaged employees through digital and physical touchpoints including Google Currents Photo contests and physical games, enabling employees to have fun, connect, recharge and perform better at work

We also celebrated International Women's Day by organising a sharing session with our Independent and Non-Executive Director Puan Fa'izah Binti Mohd Amin, where she connected with employees by relating her experience on career, leadership and people management. Other activities include the celebration of International Family Day, online contests celebrating Malaysian cuisines and the reinstating of physical games such as bowling.

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The IWD sharing session was organised to encourage employees to maximise learning opportunities by adopting a growth mindset.

Fun activities such as sharing of personal favourite hot and spicy food enabled employees to participate and get to know each other more.

For International Family Day, we asked employees to share their favourite moments with their family, showing a side of employees outside of work.

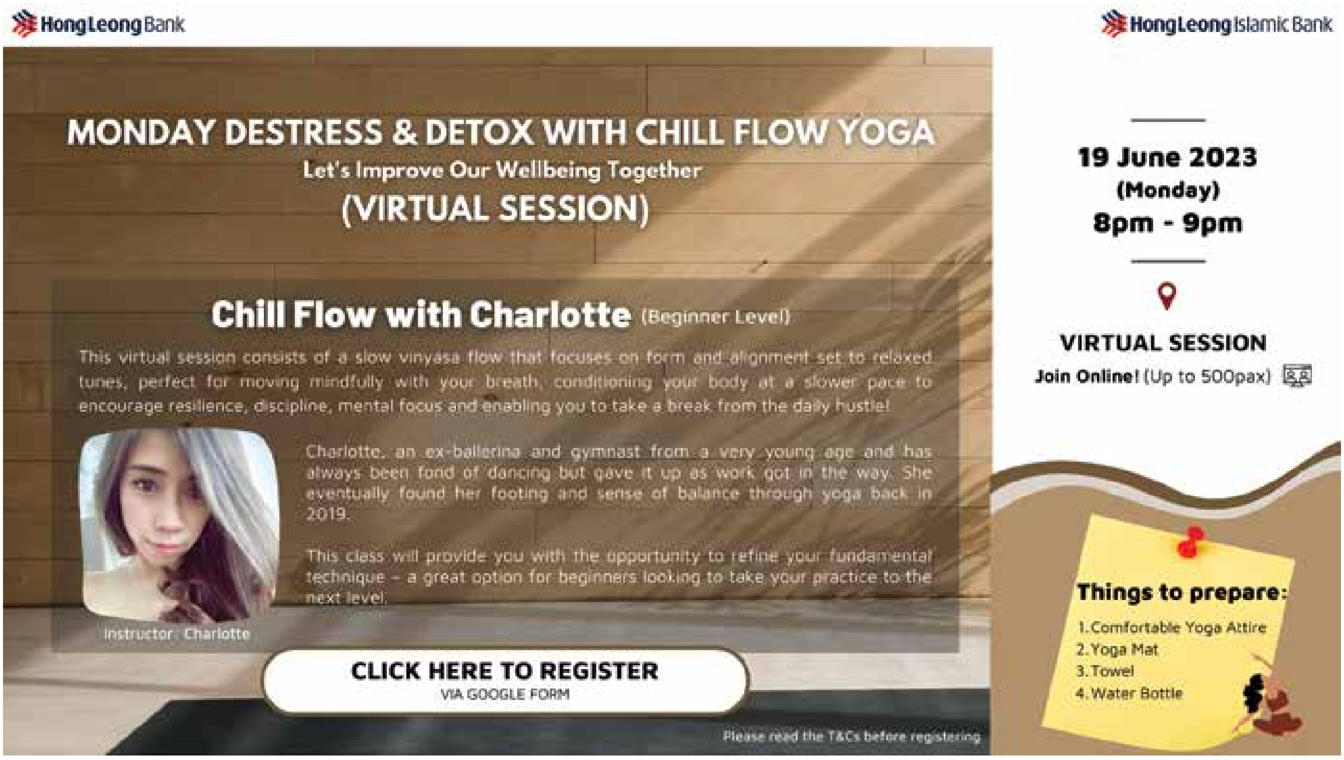
Physical games such as bowling were reintroduced, providing a platform for employees to engage with each other outside the workplace.

Meaningful Employee Appreciation

Our commitment to acknowledging outstanding contributions from our employees remain unwavering through our eTOUCH platform. The year-long eTOUCH campaign culminates in Appreciation Day, during which our GMD/CEO extends his heartfelt gratitude and presents a small gift to express thanks on behalf of the senior management team, honouring employees Bank-wide for their efforts throughout the financial year.

We celebrated Appreciation Day at the end of the financial year by presenting gifts to all employees accompanied by a heartfelt appreciation message from senior management.

Our eTOUCH platform remains key in cultivating a culture of appreciation for colleagues who have gone above and beyond their duty to help customers, colleagues or others around them.



Our wellness activities provide a holistic platform for employees to practise and nurture long-lasting habits to improve their quality of life.

The PlusVibes all-in-one well-being app includes a visual representation of the user's life areas ("Wheel of Life"). Users also have the option to speak to qualified listeners through messaging, relaxation activities and inspirational content for employee self-care.

Committing to Employee Wellness

The Bank is cognisant that the physical, emotional and mental wellbeing of our people is of utmost importance, and we have in place wellness activities to ensure that our employees are well taken care of. This year, we organised several virtual activities including runs and exercise sessions, brown bag sessions on physical and mental wellbeing as well as releasing special health-themed infographics.

We offer PlusVibes, a mobile-first wellbeing platform, as a key touchpoint to support our employees in building personal resilience as well as physical and mental wellbeing. The contents of PlusVibes are available to all employees which consists of topics such as finance, family, leadership, self-development, and relationships. The platform's Wheel of Life provides a visual assessment to identify areas that may need more attention, empowering employees to practice self-care as needed. If further assistance is required, employees can connect with qualified counsellors through the app. Additionally, the platform offers a list of relevant associations for employees to explore and connect with if they choose to.

Sustainability Statement

OVERVIEW

The HLB Sustainability Statement 2023 provides an overview of the Bank's sustainability strategy, journey and performance, encompassing the activities of HLB and its subsidiaries (collectively, "the Bank"), including Hong Leong Islamic Bank ("HLISB") in Malaysia, Singapore and Hong Kong for the financial year from 1 July 2022 to 30 June 2023.

This statement has been prepared in accordance with the following regulations, standards and guidelines:

- Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements on Sustainability Reporting
- Global Reporting Initiative ("GRI") Standards
- United Nations Sustainable Development Goals ("UN SDGs")

Aside from adherence to the above regulations, standards and guidelines, our climate-related disclosures have been further guided by the Recommendations of the Bank Negara Malaysia ("BNM")'s Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions ("FI"), along with the Climate Change and Principle-based Taxonomy ("CCPT") and Climate Risk Management and Scenario Analysis ("CRMSA") reporting requirements. Through these frameworks and guidelines, we aim to disclose the efforts and impacts of our environmental, social and governance ("ESG") performance via metrics and targets we believe to be relevant for the financial services industry.

A more detailed disclosure of our sustainability practices, complete with GRI, TCFD and UN SDGs content index with its supporting limited assurance statements and reports are presented in HLB's standalone Sustainability Report 2023.

Global ESG Indices and Assessments

We continuously endeavour to strengthen the implementation of ESG practices into our business operations. Testament to our ESG efforts, we continue to be recognised in leading sustainability ratings and indices, which use comprehensive standards to evaluate sustainability efforts. These include:

FTSE4Good

- Constituent of FTSE4Good Bursa Malaysia index for the 6th consecutive year
- Top 25% by ESG ratings among public listed companies in the FBM EMAS Index, which was assessed by FTSE Russell
- Improved ESG score to 3.9 out of 5.0, ahead of the overall banking sector's average of 3.1

Morgan Stanley Capital International ("MSCI") ESG Rating

- Achieved an ESG rating of A, with a score of 5.0 during the 2023 MSCI ESG rating assessment, an improvement of ranking bands from our previous year's assessment, at par with the banking industry average of 5.0 (which includes foreign banks)

S&P Global Corporate Sustainability Assessment

- Scored 54 out of 100 as at 31 December 2022, which signifies a 2-point improvement from the previous year of assessment and compares favourably to banking industry average of 28
- Currently placed in the 87th percentile within the banking industry

Sustainalytics

- Achieved a Low Risk rating score with an ESG risk rating of 18.6 for the year 2023, a marginal drop compared to the previous year and is significantly below the year's industry average of 27.2

Sustainability & Climate Approach

Given our significant reach and impact, HLB strives to do business in a responsible manner to better address the needs of our stakeholders. This has driven us to ensure that sound business practices are embedded across the organisation, underpinned by our robust governance structure. Spurred by our efforts to provide a customer-centric and seamless digitally-driven experience, we continue to enhance our business practices, governance structures and standards of conduct, to deliver meaningful impact to all of our stakeholders.

Sustainability Themes

Our corporate vision remains to be an ASEAN financial services company that leverages digitalisation and innovation through our products and services. We are determined to help customers succeed through personalised fair banking services. Apart from that, we aim to create stakeholder value and provide our people with the best opportunities to reach their potential. As we strive to embed our Sustainability Themes into the business, we have taken proactive steps that reflect our commitment to sustainability and responsible practices.

FY2023 SUSTAINABILITY HIGHLIGHTS

Focus Area	GHG Emissions (Malaysia)		Auto Loan/Financing	Mortgage Loan/Financing	Renewable Energy Financing
Key Performance Indicator	Scope 1 & 2 (Operational Emissions)	Scope 3 (Business Travel, Leased Asset - Downstream & Employee Commuting)	New Green Car Financing for BEV, PHEV & HEV	Green Building/ Township & Affordable Property Financing	Solar, Bioenergy, Small Hydro & Any RE
FY2023 Target	Baseline FY2019 is 34,703 tCO_2e and target is 15% to 25% reduction by FY2026 & Net Zero by 2030	Baseline FY2019 is 12,699 tCO_2e and target is Net Zero by 2050	Newly approved RM240 million	Cumulative approved RM12.13 billion	Cumulative approved RM2.9 billion
FY2023 Performance	**Total emissions recorded: 27,545 tCO_2e**	**Total emissions recorded: 12,216 tCO_2e**	**Newly approved RM391.96 million**	**Cumulative approved RM13.17 billion**	**Cumulative approved RM3.23 billion**

Net Zero Ambition*

By June 2026	By June 2030	By June 2050
15% to 25% reduction of GHG Emissions Scope 1 & 2	Net Zero for GHG Emissions Scope 1 & 2	Net Zero for GHG Emissions Scope 1, 2 & 3

All ambitions are set from baseline FY2019.

For more details on Our Net Zero Ambition and Measures taken to achieve the Ambition, please refer to the Making The Sustainability Connection chapter on pages 11 to 13 of the HLB Sustainability Report 2023.

Sustainability Statement

MATERIALITY

The ever changing landscape of the global banking sector gives rise to mounting economic, environmental, and societal pressure. To that end, we recognise the need to constantly keep abreast of emerging sustainability risks and opportunities, especially those most material to us and our stakeholders. By leveraging on these material matters, we are able to strategise and prioritise concerted efforts for the Bank to create long-lasting value.

In FY2023, we undertook a materiality assessment to validate and inform the Bank's current and forward-looking strategy as well as develop a more profound approach to ESG reporting and disclosure. This exercise took into account the diverse views of a broad range of stakeholders across our operating entities, including the Board, senior management, employees, regulators, investors, analysts, customers, media, vendors, suppliers, and the community.

FY2023 Materiality Assessment Approach

Topic Identification	Stakeholder Engagement	Prioritisation & Validation
Identify key sustainability topics through comprehensive review of ESG standards and industry global/mega trends, backed by deep understanding of our value chain.	Capture internal and external stakeholders' views and understand what matters to them through online surveys and engagements.	Process the inputs gathered to produce our FY2023 Materiality Matrix, which was validated by the Sustainability Committee and endorsed by Board-level Committees.

FY2023 Material Topics

HLB's materiality assessment approach encourages recognition and communication of the impact of sustainability topics on our performance, as well as the impact of our business activities along the value chain on the community and environment. This year, the Bank has identified 16 topics material to our operations, which are mapped in the materiality matrix and further explained in the following table.

HLB Sustainability Themes	Material Topic	Description
Digital at the Core	Digital Finance and Innovation	Leveraging advanced data analytics and digital systems to develop innovative products aligned with customers' needs, whilst simultaneously increasing accessibility of our offerings to new and existing customers.
	Customer Experience & Satisfaction	Embedding a customer-centric culture within the organisation and undertaking initiatives to improve end-to-end customer experience as well as customer satisfaction; leading to increased customer retention.
	Privacy, Data Protection & Cybersecurity	Protecting employees' and customers' data from unauthorised access, cyber attacks and threats via responsible collection, handling, storage and protection of personal and proprietary data.
Socially Responsible Business	Good Governance & Ethical Business Conduct	Committed to conducting our business and operations professionally, while adopting the highest standards of ethics, integrity, transparency and accountability, in order to maintain stakeholders' trust in the organisation.

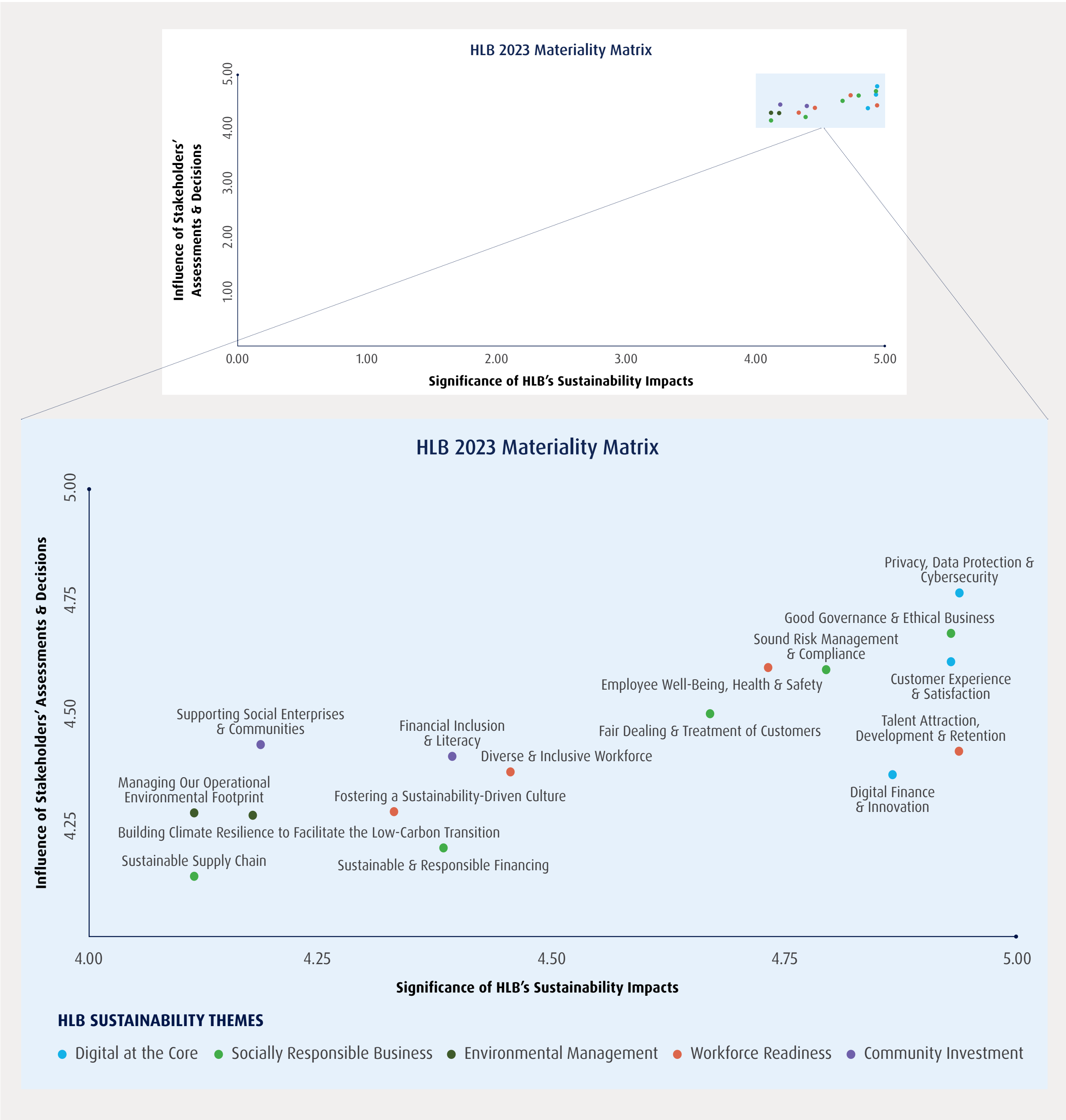
HLB Sustainability Themes	Material Topic	Description
Socially Responsible Business	Sound Risk Management & Compliance	Upholding a strong compliance culture throughout the organisation to ensure compliance to applicable laws, regulations, and standards as well as the prevention of financial crime (e.g. money laundering, terrorism financing, fraud, corruption and bribery). Adopting a systematic and comprehensive risk management approach in identifying and mitigating emerging risks to our business activities by investing in people, technology, policies and processes.
	Sustainable & Responsible Financing	Integrating ESG factors into the design, evaluation, and management of our financial products and services (e.g. green loans, green bonds, islamic finance for sustainability) to encourage higher adoption of sustainability principles by customers.
	Fair Treatment & Dealing of Customers	Ensuring fair treatment of our customers and clients in the conduct of our business by prioritising their financial needs and risk appetite, as well as providing them transparent, accurate, sufficient and easily understood information about our products and services.
	Sustainable Supply Chain	Upholding sustainability procurement principles across the supply chain via robust supplier policies, assessment and engagement practices, whilst also encouraging supplier diversity to include local businesses.
Environmental Management	Managing Our Operational Environmental Footprint	Responsibly optimising resource consumption to effectively manage the environmental footprint of our operations (e.g. energy management, waste management, water consumption, GHG emissions).
	Building Climate Resilience to Facilitate a Low-Carbon Transition	Identifying and integrating climate-related risks into our strategies, business operations and across our value chain via our risk management framework, in order to facilitate a just transition to a low-carbon economy (e.g. reducing exposure to high-risk sectors, supporting low-carbon solutions).
Workforce Readiness	Talent Attraction, Development and Retention	Investing in talent attraction, development and retention to cultivate a pool of high-quality talent, whilst also fostering a growth mindset in our employees to ensure their adaptability in today's ever-changing business and technological landscape.
	Diverse and Inclusive Workforce	Promoting and embracing a diverse and inclusive workplace, whereby all employees are treated equally and without discrimination, thus fostering productivity and innovation.
	Employee Well-Being, Health & Safety	Creating an inclusive and supportive work environment which supports employee health and safety, promotes their well-being and improves work-life balance via effective policies, processes and labour standards.
	Fostering a Sustainability-Driven Culture	Establishing a corporate culture that embraces and promotes sustainable practices, values, and behaviours throughout the organisation (e.g. encouraging employee volunteerism, implementing ESG capacity-building programmes).
Community Investment	Supporting Social Enterprises and Communities	Developing strategic partnerships with social enterprises to implement community empowerment programmes that create long-term environmental and social impact for underserved communities across our operations.
	Financial Inclusion & Literacy	Enabling the accessibility of affordable financial services to all segments of society and promoting financial literacy, thus empowering individuals and businesses to improve their financial well-being.

Sustainability Statement

MATERIALITY MATRIX

The 2023 Materiality Assessment outlined the priorities of the Bank's stakeholders on matters relevant to ESG. This exercise enabled a more informed decision making process, leveraging topics that are important to the Bank's stakeholders as well as HLB to further our sustainability journey in depth and reach.

Prior to the assessment process, material topics were identified and developed on global best practices to ensure matters most pertinent to us and our stakeholders were accurately reflected. 16 material topics were identified by the Bank, reflecting our ambitions in the sustainability space, and cascaded to our stakeholders, both internal and external, for deliberation. This process resulted in the following materiality matrix, where each material topic obtained a minimum rating of 4.1 out of 5.



In comparison to the 2021 Materiality Assessment results, the Bank's priorities remain largely consistent with minor shifts in certain areas. As an integral pillar in the economy, Cybersecurity, Good Governance and Sound Risk Management and Compliance remain as priorities to the Bank, as evidenced in the materiality matrix, and further denoted by our progressive efforts to ensure measures are in place to address risks associated with these material topics.

Beyond stewarding effective governance, our efforts in Fair Dealing and Treatment of Customers and Sustainable Supply Chain material topics have also borne results as we note a decrease in priority from our stakeholders, from the previous assessment conducted in FY2021.

True to our theme of Workforce Readiness, we see strong value in developing and maintaining a productive and effective workforce as we look to deliver value to our customers. As an increasing priority to the Bank, this is reflected in our enhanced efforts to attract, train, and retain our talent, showcased throughout this report.

Elsewhere, our Community Investment material matters have also garnered increasing attention from our stakeholder groups across our value chain. In line with this, the Bank is ramping up efforts to foster engagement and continue delivering impactful value to the community.

Materiality Assessment Phased Approach

Year 1	Year 2	Year 3
Comprehensive materiality assessment	Assessment and review of Year 1 findings	Assessment and review of Year 1 and 2 findings

Moving forward, the Bank is intent on enhancing our materiality assessment through a phased approach across three years beginning FY2023. Next year, we aim to conduct structured interviews and focus groups with HLB's internal and external stakeholder groups to identify the risks, opportunities, and impacts associated with all material topics. In Year 3, consolidation of these collective efforts will lead to a comprehensive materiality assessment, enabling the Bank to stay abreast of current trends and issues pertinent to us and our stakeholders.

Sustainability Statement

SUSTAINABILITY GOVERNANCE

Robust corporate governance and clear leadership are crucial to our organisation's success, paving the way towards achieving the Bank's sustainability ambitions and enabling us to facilitate a smooth and just transition for the communities that we serve. To that end, HLB's sustainability governance in integrating ESG practices throughout the bank is driven from the top with a strong sense of accountability.

Board Roles and Responsibilities

Forward-looking sustainability goals and targets are a fundamental step in governing for a better future. By defining targeted and measurable objectives, we commit to implementing initiatives that promote environmental, social, and economic well-being. These goals serve as a compass, guiding decision-making and resource allocation towards more sustainable practices and outcomes.

HLB's Board of Directors leads the organisation's progressive journey towards sustainability, and is supported by the Bank's senior management and staff. The Board ensures the Bank's strategic initiatives support long-term value creation, taking ESG concerns and corresponding risks and opportunities into account. As the Bank's highest governing body, the Board is responsible for overseeing Board-level committees that have oversight on areas relating to sustainability, encompassing climate change. Supporting the Board in effectively carrying out its functions are the following governing bodies:

Governing body	Frequency of meetings related to Sustainability in FY2023
BOARD OF DIRECTORS To establish a sound governance structure for the implementation of sustainability efforts and practices in business operations, to ensure that sustainability is embedded in business operations	2
BOARD RISK MANAGEMENT COMMITTEE ("BRMC") - HLB AND BOARD AUDIT AND RISK MANAGEMENT COMMITTEE ("BARMC") - HLISB Supports the Board in overseeing the management of the Bank's sustainability strategy and ESG risks	4
SUSTAINABILITY COMMITTEE ("SC") Composed of senior management and act as the enabler of the Bank's sustainability and VBI strategies and initiatives; as well as climate-related goals	4
SUSTAINABILITY WORKING COMMITTEE ("SWC") Multiple SWC groups to steer and execute the Bank's sustainability strategies, including climate-related strategies and initiatives	As and when necessary for each SWC group throughout the year

SUSTAINABILITY DEPARTMENT WITHIN MARKETING, COMMUNICATIONS & ANALYTICS ("M&C")

Coordinates and monitors the Bank's sustainability efforts and integrate financial and non-financial results with sustainability initiatives

SUSTAINABILITY RISK DEPARTMENT WITHIN GROUP RISK MANAGEMENT ("GRM")

Responsible for reviewing and validating the sustainability and climate-related risks while monitoring the progress of related initiatives

Sustainability Awareness at the Board and Senior Management level

Cultivating sustainability awareness amongst the Board members and Senior Management includes the need for training on sustainability knowledge including climate-related risks and opportunities on a regular basis. In line with this, we have sent two of our directors to attend the Listed Entity Director Programme (LED) on ESG Essentials in September 2022, organised by the Singapore Institute of Directors. In March 2023, one of our directors attended the Asia Business School's Leadership for Enterprise Sustainability Asia 2023 programme and four more directors went to the PwC ESG Briefing. This is our ongoing commitment in ensuring our directors gain more comprehensive knowledge and stay on top of sustainability-related developments.

To further strengthen the awareness of sustainability within the organisation, particularly at senior management level, our annual HLB Expert Session in FY2023 focused on Carbon issues. The session, which was originally planned for June 2023, was held in July 2023 with experts from the Green Building Council, Bursa Carbon Exchange, and Energy Commission sharing their knowledge and latest developments in their respective carbon and energy fields to our senior management and heads of departments. The annual HLB Expert Engagement Session is a series of engagements that features subject matter experts on thematic and trending topics that are most relevant to the Bank's sustainability initiatives and strategy.

Ethics, Integrity, and Compliance

Our Code of Conduct and Ethics ensures that all our employees, subsidiaries and affiliated business partners comply with the highest standard of professionalism and ethics in the conduct of our business. We make a conscious effort to ensure that the principles outlined in the Code are adhered to throughout our entire organisation.

Upholding Ethics and Integrity

The Bank strives to establish high quality work culture and is committed to comprehensive and positive work ethics and integrity. It is our utmost priority that our employees observe the highest standards of ethical and professional conduct.

In line with global best practices and good governance approach, we conduct a corruption risk assessment of the overall Bank's operations at least biennially. Cases regarding misalignment to the ABC, if any, are deliberated by the Disciplinary Committee ("DC"), followed by the RCGC and the Board of Directors during the BRMC or BARMC meetings, which include appropriate action taken. We did not receive any reports of cases in FY2023.

HLB's Anti-Bribery and Corruption Compliance training initiatives solidifies our zero-tolerance policy towards corrupt activities, including bribery. The Ethics and Integrity Unit led by the Bank's Ethics and Integrity Officer ("EIO") observes the content of our ABC Programme that focuses on comprehensive, practical, and effective policies for curbing bribery and corruption.

We actively provide training and awareness initiatives to our employees in regards to ABC-related matters. Employees are mandated to complete required e-Learning courses conducted via HLB@Workday, our people and performance management platform. These courses are delivered in a blended format encompassing videos, reading materials, assessments, covering topics such as ABC, AML/CFT, Code of Conduct & Ethics, Banking Secrecy, Shariah Compliance and Data Protection.

In FY2023, we continued with our mandatory and role-based ABC training to all employees. With the HLB@Workday platform, we are able to provide training to all levels of the organisation, including our Board and Senior Management. This year, we rolled out mandatory bankwide e-learning to more than 400 contract staff and over 8,000 employees bankwide.

All employees are required to complete e-Learning courses on Compliance as part of Mandatory eLearning. On top of the bankwide mandatory e-learning, selected employees, depending on their roles, will be assigned additional role based compliance courses in order to obtain the knowledge required for their respective roles. Assessment requiring a 70% pass score will be triggered 30 days post workshop and employees that do not pass within the given 5 attempts will be required to re-attend the training. 17 members of our senior management and Board of Directors completed a half-day refresher training on Corporate Liability Provision on Corruption under the MACC Act 2009. Additionally 50 Global Markets employees underwent role-based training for Anti-bribery and Corruption and Corporate Liability under Section 17A MACC Act 2009.

For more details on Our Governance Approach, please refer to the Governance chapter on pages 19 to 25 of the HLB Sustainability Report 2023.

Sustainability Statement

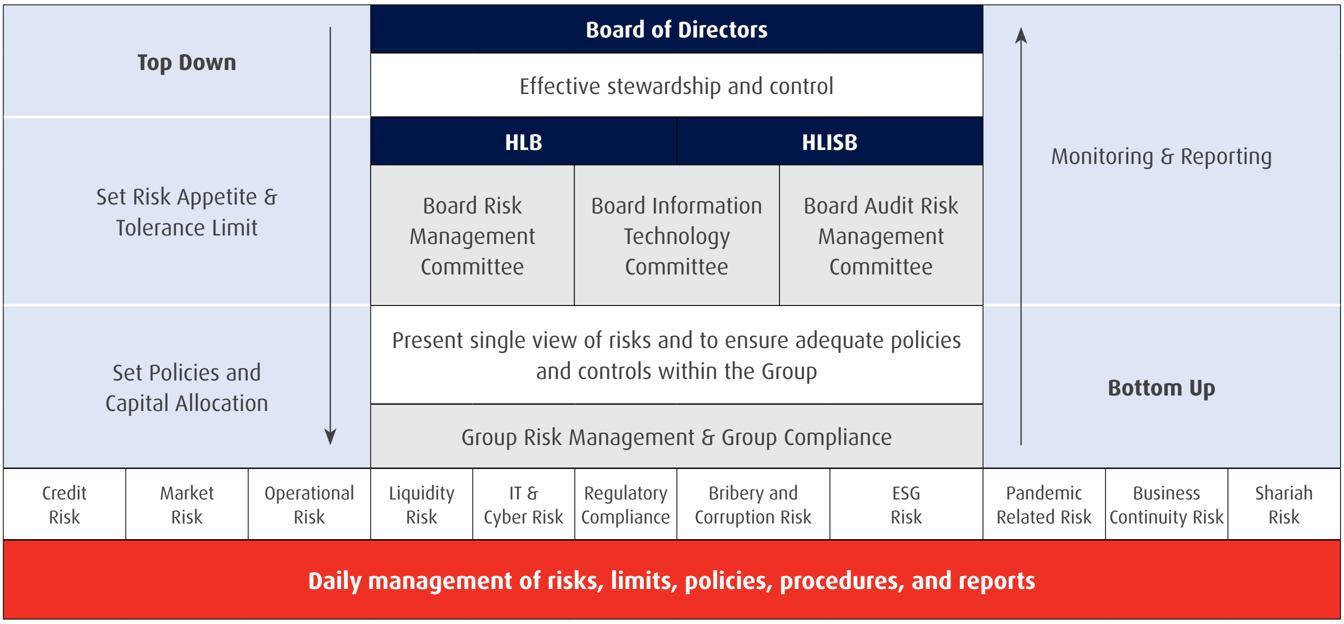
SOUND ESG RISK MANAGEMENT

In FY2023, we continued to develop our Sustainability Risk Monitoring Reports to track bank-wide ESG initiatives and their implementation progress for long-term tangible benefits. These reports serve the purpose of facilitating discussions and gathering input regarding the significant impacts and opportunities related to these initiatives. Subsequently, the reports are presented at the SC and BRMC meetings.

We believe that aligning business growth with environmental protection goals is pivotal to generate a positive impact on the communities and environments that we operate in. We have progressed in embedding ESG considerations into our interactions with stakeholders and daily business practices as well as for our products and services. In addition to that, we are driven to implement an efficient risk management structure that balances risk mitigation while promoting growth.

This ideal drives our sustainability progress and aspirations, leading to our dedication in promoting sustainability within our business value chain and network of stakeholders. We are well aware that our business engagement with organisations and individuals creates social and environmental impacts, be it directly or indirectly.

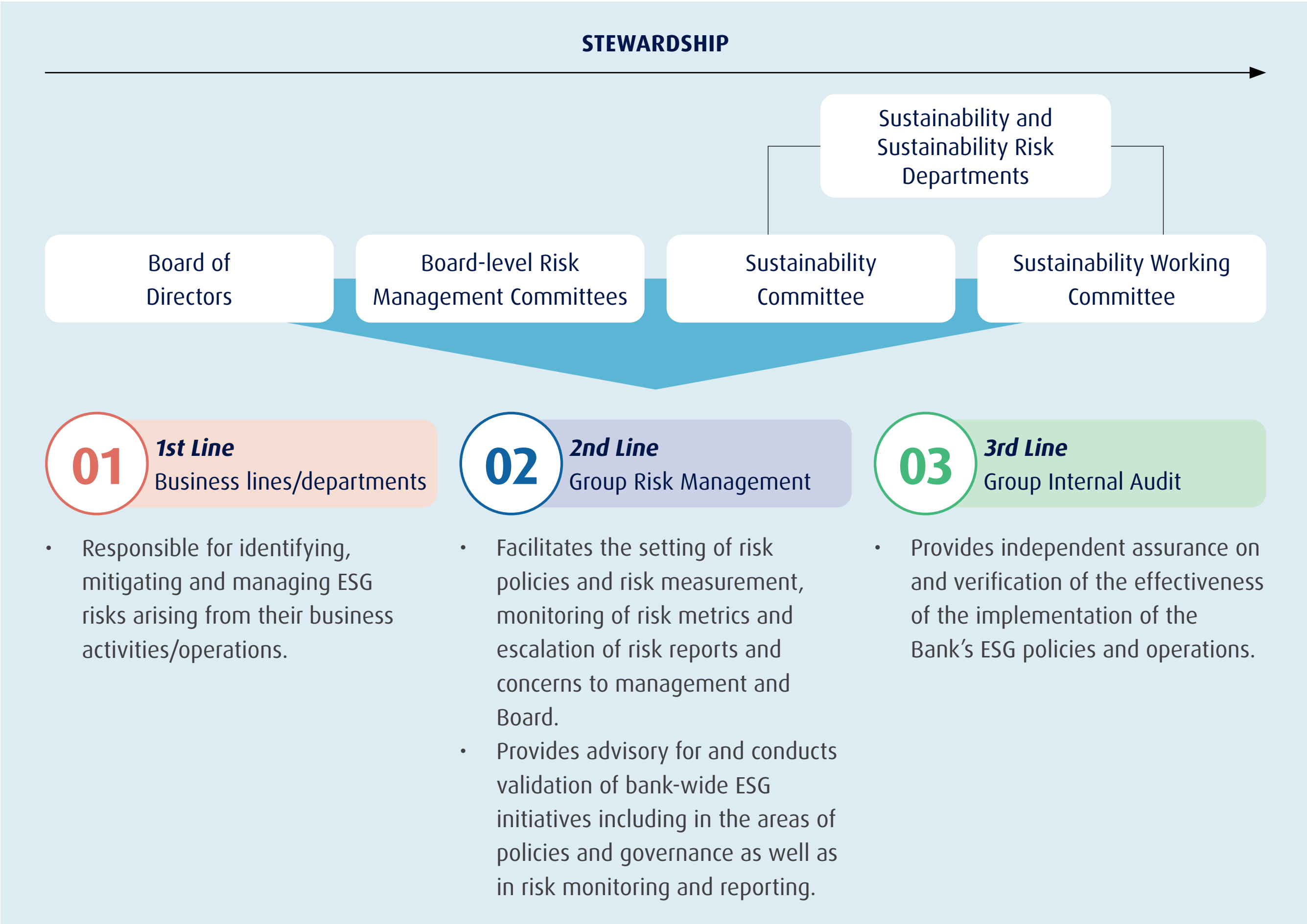
Thus, ESG risk remains a material risk to the Bank as illustrated in our Enterprise View and Management of Risks diagram below.

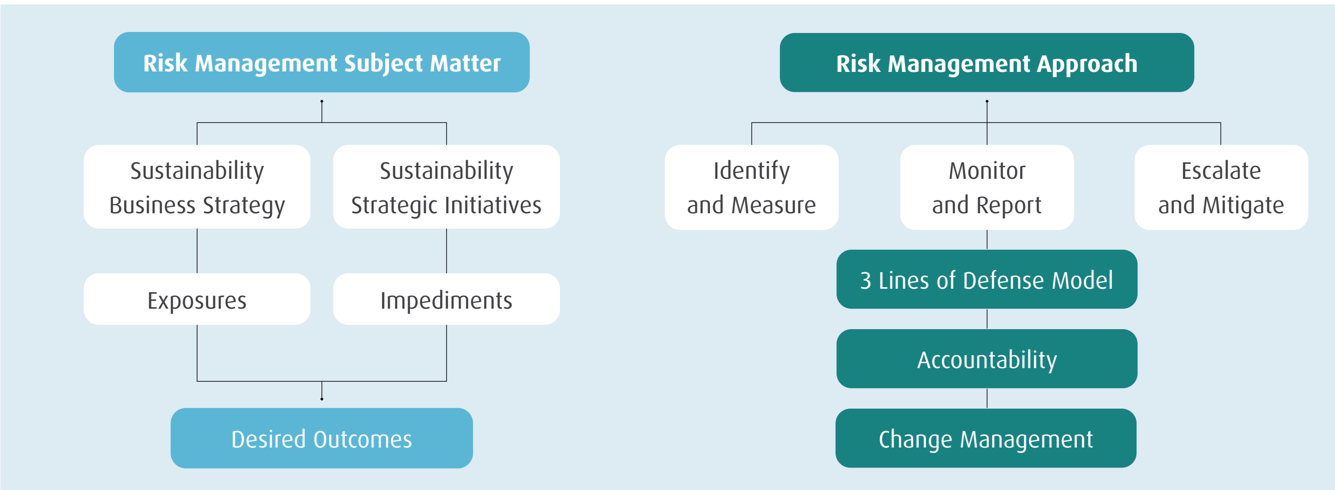


As such, a holistic approach of sustainability integration and the ESG risks that come with it are considered within the Bank's Sustainability Risk Governance Framework and risk management strategies.

We consider the Sustainability Risk Governance Framework an integral part of our sustainability journey in ensuring the continuous delivery of long-term value with community and environmental considerations. The adoption and implementation of this framework creates a systematic and structured approach in working towards a progressive sustainability journey.

In managing and mitigating identified ESG risks, which includes climate-related risks for example physical and transition risks, management provides periodic reporting to the BRMC on execution statuses as well as the results attained. This is coordinated and monitored by both the Sustainability department and the Sustainability Risk department, using the Three Lines of Defense ("3LOD") model. The 3LOD model serves as a conduit as we seek to manage the exposures and impediments that prevent the achievement of our corporate objectives, while ensuring the mitigation outcomes are in line with our Sustainability Themes. In order to address these challenges, we adopt a structured risk management approach as follows:





Sustainability Statement

EFFECTIVE GOVERNANCE FOR CLIMATE RESILIENCE

Climate Strategy

Adopting industry best practices, we have formulated and implemented frameworks and policies with ESG and climate importance embedded. These frameworks apply to vendors, SME, commercial, and corporate customers, and even retail and wealth management customers. In addition, we have also embedded the environmental framework into our operations.

Climate Governance

We are aware that incorporating climate risk considerations into our policies and sector standards forms the foundation for identification and management of climate-related risks across our company. In an effort to create long-term value for our stakeholders, strengthening climate risk management becomes our priority.

We continue to disclose our approach to managing climate-related risks and opportunities, aligned with the TCFD recommendations. The Bank has taken guidance from JC3's TCFD Application Guide for Malaysian Financial Institutions in developing our climate-related disclosures around the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets.

To ensure robustness of HLB's climate governance, several measures have been implemented across the organisation, including:

Internal Reporting on Climate Progress	• Sustainability-related meetings held throughout FY2023, where climate-related topics (e.g. carbon offsetting initiatives, physical risk identification and assessment) were discussed.
Sustainability and Climate-related Risk Board training	• All of our directors have knowledge and skills in corporate governance, risk management and/or Sustainability.
Senior Management Remuneration	• The Bank's senior management team is assessed against scorecard objectives which are aligned with the Bank's sustainability and climate-related targets and strategy. • SC, SWC and Employees' KRA are linked to sustainability and climate-related non-financial performance targets commencing FY2022.

Climate Risk Management

The Bank views climate change as an emerging risk that could impact our operations hence our ability to provide value to our customers and all of our stakeholders. We recognise physical, transition and liability risks may transfer through microeconomic and macroeconomic perspectives and subsequently impact the Bank's performance. These risks may potentially have both financial and non-financial impacts on our business and portfolio exposures. We categorise climate-related risks based on 5-year intervals, aligning with the Paris Agreement's stipulation that each member is required to communicate their NDCs every 5 years. Furthermore, we consider the repayment maturity of our loan and financing portfolios, which generally ranges from 4 to 15 years, depending on the specific products.

For more details on Potential Climate-related Risks and Its Impacts, and Scenario Analysis, please refer to the Governance chapter on pages 30 to 35 of the HLB Sustainability Report 2023.

Climate-related Opportunities

Numerous initiatives have been introduced and implemented with the aim of mitigating and adapting to climate-related risks. This, strengthened with the heightened awareness of climate-related risks, has led to the emergence of new climate-related opportunities throughout the Bank.

By capitalising on climate-related opportunities, the Bank has embraced an integrated operations model that seamlessly aligns with our shift towards a low-carbon transition through enhancing our ability to seize opportunities in responding to physical and transition risks. This journey has driven the review and transformation of our operations, with no compromise on safety, comfort, and reliability of the Bank's physical operations.

Green and Sustainable Products, Services & Market	SME, Commercial and Corporate Customers	Retail Customers
Green Financing	Renewable Energy Financing	Solar Plus Financing
	Green Mortgage and Affordable Property Financing	Green Mortgage and Affordable Property Financing
		Green Car Financing
Sustainable Investing	Green Securities: Green Bond/Green Debt Financing	Green Securities: Green Bond/Green Debt Financing

Climate-resilient Operations

As we transition towards a low-carbon operations model, we aspire to optimise efficiency by leveraging digital innovation initiatives. To this end, we are actively exploring ways to optimise our internal processes and streamline our operations, which in turn would minimise resource consumption. With the latest technologies integrated, we are committed to driving greater efficiency and resource utilisation, while maintaining the highest standards of service for our valued customers.

Climate-resilient Operations

Enabling cost-savings, optimising efficiency and reducing our carbon footprint

Resource Efficiency

Transition to more resource-efficient buildings, reducing water and electricity usage and consumption, while adopting recycling practice.

Impact to HLB:

- Improvements in health and safety through a reduction in air pollution resulting from cleaner combustion
- Reduction in energy, water and maintenance costs

Energy Source

Use of new technologies, lower-emission sources of energy and supportive policy incentives.

Impact to HLB:

- Reduced exposure towards GHG emissions resulting in reduced sensitivity to changes in the cost of carbon
- Higher returns on investment in low-emission technology
- Reputational enhancements resulting in increased market take up of the Bank's products and services

Our Initiatives

- Completed EE&C Measures in Hong Leong Tower and PJ City Tower A; and in the midst of completion for bank-owned branches
- In FY2023, we reduced 844 tCO_2eq for Scope 1 and 2 emissions for our Malaysian operations compared to FY2022

BUILDING RESILIENCE

Turning Climate Ambition Into Action

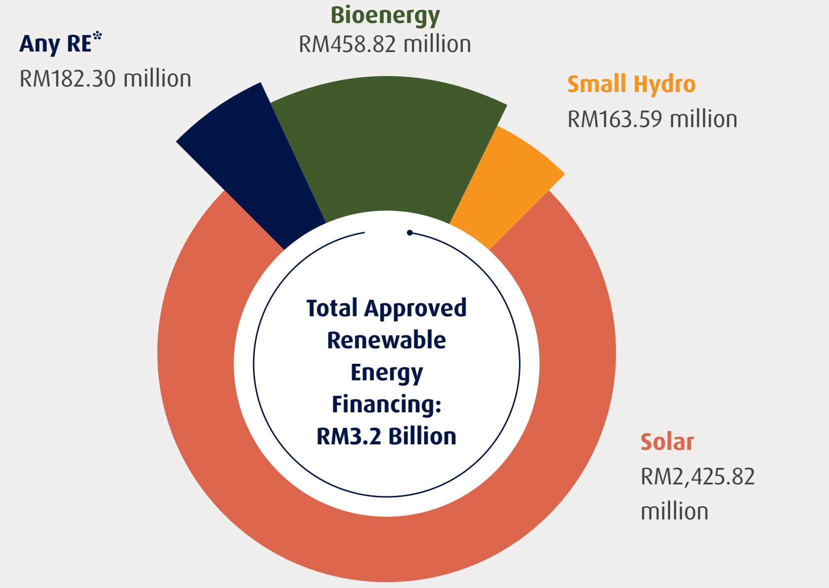
As a financial institution, we recognise that we are well-positioned to influence the transition towards a low-carbon economy. We are cognisant that operationalising our ambitions is essential to our business growth and ability to create long-term value. Therefore, we have developed robust action plans that effectively translate our ambitions into tangible steps towards achieving our sustainability goals and targets.

We are guided by our carbon-neutrality ambition, including our commitment to achieve Net Zero emissions by 2050, as a way of strengthening our climate pledge. Our ambition forms the foundation to demonstrate our dedication to sustainability and responsible corporate citizenship. In FY2023, we have taken significant strides towards enhanced sustainability reporting by becoming a signatory to PCAF as we dive into the calculation of financed emissions.

To achieve our Net Zero goal, we have adopted a multifaceted approach that encompasses various aspects of our business. This includes the provision of green debt financing through financing access to renewable energy, green transportation, and supporting green developments as well as further enhancing our EE&C measures across the organisation.

Promoting Cleaner Energy

The transition to a low-carbon economy relies heavily on moving away from high carbon emitting sources to more sustainable avenues. To this end, we have revised out RE Financing commitment, which was initially set at RM500 million for a period of 5 years starting in 2019, to RM4 billion by FY2025 which includes working capital, term financing, contract financing, and trade lines. By the end of FY2023, we have approved over RM3.2 billion of financing, encompassing various projects including bioenergy, solar, hydro power and other Renewable Energy projects. The result of our RE Financing is expected to save over 800,000 tonnes of CO2 equivalent emissions in a year.



*Any RE consist of customers with facilities that is not concentrated on a single RE resource

HLB Renewable Energy Financing

The Bank is playing its part in contributing to Malaysia's Renewable Energy Roadmap through the provision of access to RE Financing solutions. The provision of these financing solutions in the country drives accelerated growth of RE usage.

At present, the Bank's RE Financing mix sees the largest contribution from solar energy financing.

HLB RE Proposition

Customised Financing Solutions for Renewable Energy Projects with our in-house RE Specialists.

For more details on Building a Sustainable and Responsible Business, please refer to the Building Resilience chapter on pages 42 to 49 of the HLB Sustainability Report 2023.

FY2023 Key Highlights

Renewable Energy Financing

Approved over RM3.2 billion of financing, encompassing various projects including bioenergy, solar, hydro power and other Renewable Energy projects. The result of our RE financing is expected to save over 800,000 tonnes of CO2 equivalent emissions in a year.

Green Car Financing

FY2023 Green Car Financing - RM391.96 million consists of
Battery Electric Vehicle (BEV) - RM103.83 million
Plug-in Hybrid Electric Vehicle (PHEV) - RM175.54 million
Hybrid Electric Vehicle (HEV) - RM112.59 million

Green Building/Township and Affordable Property Financing

Total Outstanding Green Building/ Township Financing	Total Outstanding Affordable Property Financing	Total Outstanding Green Building/Township and Affordable Property Financing	Total Outstanding Mortgage Portfolio
RM3.97 billion	**RM9.22 billion**	**RM13.17 billion***	**RM95.7 billion**

There is Affordable Property Financing which is also categorised under Green Mortgage Financing amounting to RM28.36 million.

BCB ESG Policy & Assessment Framework

Expanded our High Social risk considerations to include health and safety; social impact; and foreign labour recruitment process as well as accommodation, guided by the International Labour Organisation ("ILO") indicators.

Organised two physical sustainability roundtables on energy efficiency and green supply chain, with a total number of 200 participants attending which comprises our business and corporate banking customers.

Conducted five closed-door sessions with selected customers from the Manufacturing, Chemicals, Real Estate and Construction sectors, aimed to provide personalised support on how the Bank can help them in their ESG transition journey.

HLB Green Bond

Renewable Energy

- Proceeds may be allocated towards the financing of Large Scale Solar Photovoltaic ("LSSPV") projects
- Capacity: 161 MW
- Annual Generation: 225.6 GWh
- Annual Carbon Avoidance: Close to 176,000 tonnes CO_2 based on current established national emission avoidance coefficient factor

Note: *The figures on Solar PV assets/projects are based on the assumption that the plants commence operations and perform at the declared capacity.*

Green Building

- Purchase of highly-rated green properties by customers (Gold and above)
- Enabled 2,049 retail customers to purchase homes with green building certifications with ratings of Gold and above awarded by recognised certification bodies
- Platinum Green Building Certified Properties: 495
- Gold Green Building Certified Properties: 1,554

Sustainable Transportation

- Purchase of Electric Vehicle or Hybrid Vehicles by consumers (tailpipe CO2 emissions of less than 75g per km per passenger car)
- Financed 2,578 electric and hybrid consisting of:
  - BEV - 527
  - PHEV - 2,051

SUSTAINABILITY IMPACT

Sustaining Our Digital Momentum

We remain cognisant of our digital banking performance, hence in FY2023 we saw a 10% growth in corporate internet banking users, 12% growth in retail internet users and a 15% growth in mobile banking users from previous years. This marks more than 80% digital penetration across the Bank, an 8% growth from FY2022. The domestic economic growth indicates growing economic productivity and consequently, the need for more financing solutions.

Innovative Digital Solutions

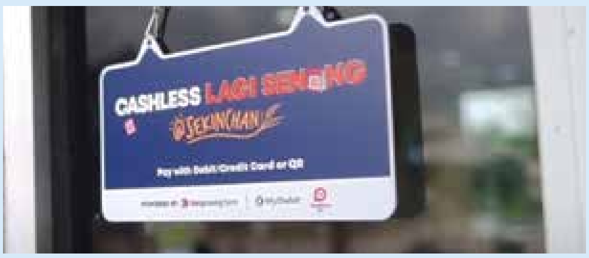
The Bank's Digital At The Core theme has been a guiding light in creating innovative digital solutions. Sticking true to the core value of the theme, we strive to develop and offer a range of solutions to enhance our customers banking experience. Our range of solutions serve to create positive environmental impacts while giving us an avenue to develop and enhance the delivery of our financial metrics.

Tailored Solutions in Sustaining a Digital Momentum			
For Retail Customers		For the Youth	For SME, Commercial and Corporate Customers
Apply@HLB & HLB Wallet	HLB@Kampung	HLB Pocket Connect	Cashless Lagi Senang
HLB Connect App	HLB Connect Retail	HLB@School	HLB ConnectFirst

Through these digital banking solutions, we are able to enhance our customers' experience through flexible and secure digital banking services via internet and mobile banking platforms for better convenience. Our digital touch is also evident in our branches, aligning to our ethos of customer centricity. The deployment of our InBranch Tablet services, like our other digital solutions, is aimed at improving the banking experience for all of our customers, across all their needs.

HLB@Kampung

In partnership with PayNet, HLB rolled out digital payment tools that helped in transforming Sekinchan to be the first cashless kampung in Malaysia. This initiative is intended to popularise the town as a full-fledged holiday destination for locals and foreigners, in line with its 'Visit Sekinchan 2023' campaign. Equipping around 800 businesses in Sekinchan with a HLB DuitNow starter kit that aids cashless transactions, the Bank is dedicated to closing the digital gap between urban and non-urban areas. 258 businesses onboarded and transitioned to cashless under the HLB@Kampung Programme in Sekinchan. Our future commitment is to onboard 6 kampung under the HLB@Kampung Programme in FY2024.



HLB@School

HLB@School programme offers a cashless ecosystem for schools, while nurturing financial and environmental literacy among students. Aimed to encourage financial literacy and financial inclusion and inculcate environmental stewardship at a young age, the programme facilitates digital transformation by equipping the students of these schools with the HLB 3 in-1 Junior Account, which comes with a savings account with fixed deposit, and a reloadable debit card that will allow them to make cashless payments in their schools.

59 more schools onboarded in FY2023 making it a total of **68** schools, an **88%** increase compared to FY2022

16 schools in Kota Kinabalu were recognised as "Cashless Schools" by PayNet

To roll out to **50** schools in FY2024 which will further develop a cashless ecosystem and promote financial literacy

CUSTOMER EXPERIENCE AND SATISFACTION

Innovating and Enhancing Customer Experience

The influence of digital technology on the financial sector has parallelly influenced customer needs and expectations when engaging financial services. To ensure a seamless experience, we use our Customer Experience ("CX") lab to reach out to customers, perceiving their growing and changing demands and digital adoption as opportunities to improve. We leverage this to create an experience that is simple.

The CX Lab is a culmination of contributions from stakeholders and collaborators to innovate and curate customer journeys as well as products and services. The fruits of the CX Lab are contributory to the inputs from our customers, cross-functional business, operations & technology teams, and external partners (BigTechs, FinTechs, start-ups, academia & other value partners).

In FY2023, we collected a total of 286,966 feedback via our Voice of Customer ("VOC") platform. Based on our platform, we have gathered over 46,000 suggestions and ideas from our customers on CX improvements.

The Bank continues to monitor the impact of our initiatives in improving CX through Customer Satisfaction Scores.

FY2023 Customer Satisfaction Scores

4.34 out of 5 for 'Customers Calling Contact Centre'	**4.39 out of 5** for 'Customers Visiting Branch'	**4.28 out of 5** for 'Internet Banking Users'
4.38 out of 5 for 'Mobile Banking Users'	**4.41 out of 5** for 'SST Users'	**4.7 out of 5** for 'HLB Pop-up'

Reaching Out to Customers

In FY2023, we piloted our HLB Pop-up concept to address the gaps in customers' accessibility to brick-and-mortar branches while innovating new ways to explore and reach out to new potential customers. 10 HLB Pop-ups were constructed in malls, exhibition halls and trade expos with a comfortable relaxing set-up, providing free coffee and popcorn as conversation starters to encourage the public to engage with us on their financial queries. The HLB Pop-ups received a promising engagement with over 5,000 prospects and provided more than 1,000 financial advisory sessions collectively. Based on the Customer Satisfaction survey conducted with prospects who received financial advisory from the pop-ups, we were rated 4.7 out of 5 on average for overall experience satisfaction.

SUPPORTING SOCIAL ENTERPRISES AND COMMUNITIES

HLB Jumpstart

Social enterprises are pivotal in creating value to the society while also contributing positively to the economy. The HLB Jumpstart programme was created with the aim of making transformative societal improvements, connecting social enterprises with experts and professionals in finance, branding and advertising, business, innovation and volunteerism, in line with our 5 Pillars of Support.

HLB Jumpstart 5 Pillars of Support

Financial Knowledge	Tools and Digitisation	Branding and Marketing	Commercialisation	Volunteerism

To date, we have partnered with a total of 5 social enterprises.

SURI *Collaboration partner since September 2018*	**GREEN HERO** *Collaboration partner since May 2019*	**COFFEE FOR GOOD** *Collaboration partner since December 2019*	**THE ASLI CO.** *Collaboration partner since June 2020*	**BENAK RAYA** *Collaboration partner since June 2021*

Since our partnership with these Social Enterprises, we have witnessed growth such as:

Provided job opportunities to 40 single mothers	104,882 meals saved from landfills	Provided training to 10 youths from the B40 community	Provided job opportunities to 70 mothers from the Orang Asli community	Provided job opportunities to 29 villagers

HLB Jumpstart - Micro Business

HLISB rolled out a brand new social finance programme, 'HLB Jumpstart – Micro Business' that serves to provide funding to individuals who may not have the opportunities and means to secure full-time employment or to aspiring entrepreneurs who lack credit history and the opportunity for them to start their own small businesses. HLISB disperses funding through its two partners - MADCash and AlfieTech, and provides zero-profit financing and capital opportunities to start a business, while also providing mentorship and business training. Targeted to assist underserved micro-entrepreneurs, the initiative is driven to improve their livelihoods by having a sustainable source of income.

Jumpstart@65

Jumpstart@65 is a community hub that aims to inspire the community by providing education on purposeful life and digital skills, as well as to build a network of people to co-create and collaborate in developing innovative solutions for the communities, the Bank and for the Hong Leong Group. The repurposed 5-storey building located in Jalan Tun H.S. Lee in Kuala Lumpur houses coworking spaces, three customer usability labs and a community centre. The facility is equipped with state-of-the-art tools like eye tracking technology and 3D printing facilities, and is aimed at being a place where our employees can observe and participate in customer immersion sessions. This includes focus groups and ethnographic studies, customer-bank employee co-creation sessions, as well as experience first-hand how customers interact with any new experience we create, as part of the concept and usability testing sessions.

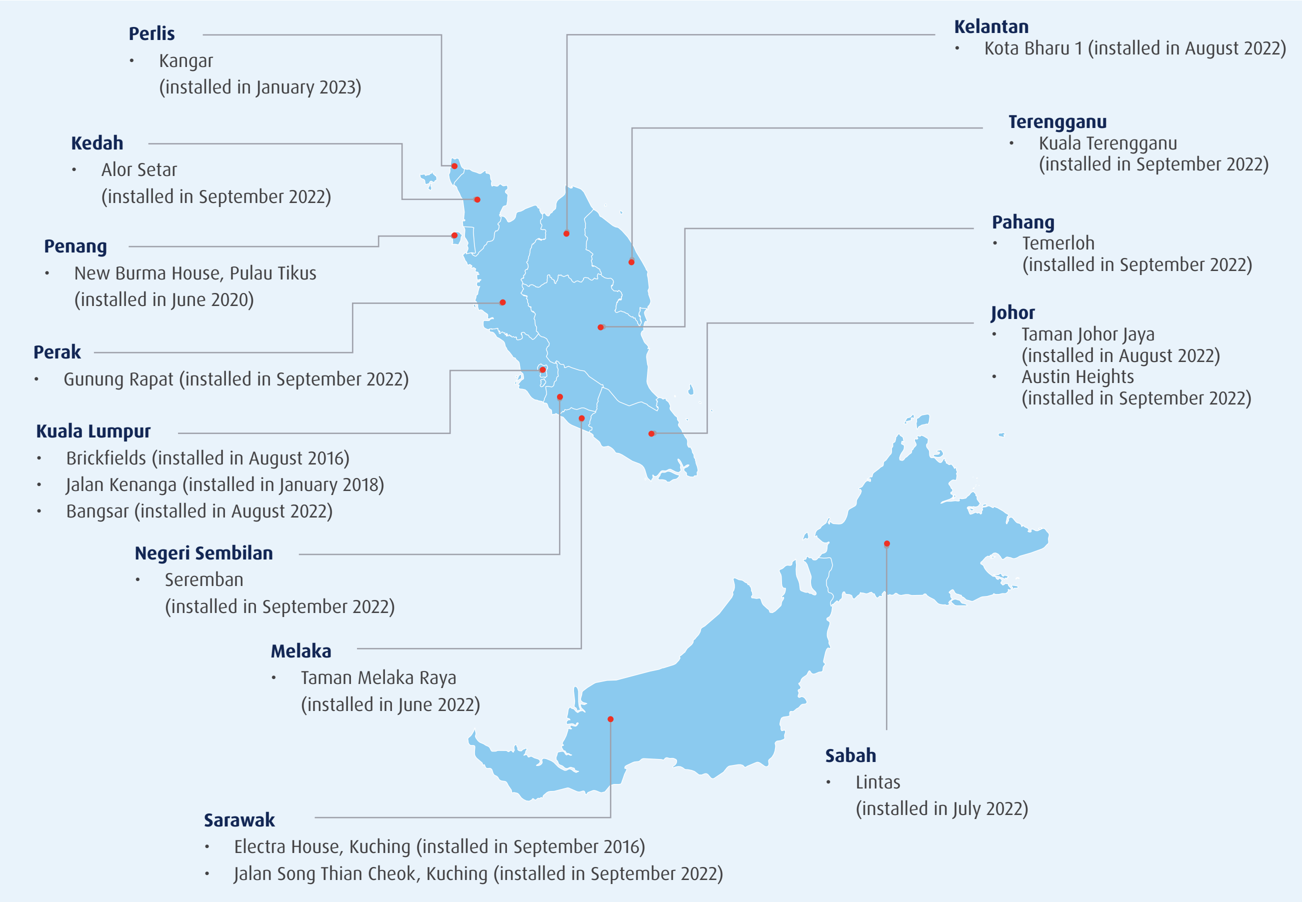
For more details on Supporting Social Enterprises and Communities, please refer to the Sustainability Impact chapter on pages 56 to 58 of the HLB Sustainability Report 2023.

FINANCIAL INCLUSION AND LITERACY

Providing Access to the Visually Impaired Community

Our commitment to being an all-inclusive organisation is evidenced by our efforts to serve communities in need of access to financial services. To that extent, we were the first bank in Malaysia to impact the visually impaired community via our speech equipped SSTs. The HLB Talking Automated Teller Machines ("ATMs"), complete with a braille keypad and headphone socket, are designed to assist visually-impaired banking customers. Instructions can be heard in either English, Malay or Mandarin.

In FY2023, we introduced 12 new HLB Talking ATMs across the country, bringing our total number of HLB Talking ATMs to 17 to date.



DuitSmart

The Bank is intent on improving the financial health in the country, which motivated the launch of our DuitSmart platform in September 2019. The objective of the platform is to equip and empower Malaysians with financial knowledge to influence sound financial decisions.

DuitSmart Achievements from FY2020 to FY2023

Students
Conducted **67** Duitsmart sessions and engaged with 2,497 students from primary, secondary and tertiary level.

Communities
- Conducted 6 sessions for 47 single mothers and 33 working adults
- Recorded 30 financial literacy audio content and disseminated to 55,000 members of the societies for the blind

Digital Content
Developed 39 bite-sized content with a collective
- 440,000 reach
- 3.19 million engagements
- 3.42 million views

SUSTAINABLE OPERATIONS

Managing Our Operational Environmental Footprint

Emissions tracking is a crucial part of identifying and improving our operational impact on the environment. In light of our Net Zero ambitions, we have ramped up efforts in managing, tracking and mitigating our carbon footprint.

Managing Our Resources

Guided by the Bank's Environmental Policy on Energy, Water and Waste Management, the Bank is intent on optimising the utilisation of resources within business activities and effectively managing waste without any compromises on the Bank's physical operations. It is imperative for the Bank to continue monitoring and promoting resource efficiency and conservation awareness to improve energy, water and waste management across our operational facilities.

HLB achieved significant milestones in FY2023, completing all EE&C measures for Hong Leong Tower and PJ City Tower A. We upgraded Hong Leong Tower's Chiller Starter System to a Variable Speed Drive ("VSD") system to regulate the tower's energy consumption. We also installed solar panels on the rooftop of PJ City Tower A which supplies about 0.7% of the entire building's energy consumption. Additionally, we have retrofitted the LED light fittings in 21 of HLB owned branches.

In March 2023, we fully relocated our Data Centre in Wisma Hong Leong to Hong Leong Tower and received a Titanium+ Tier nod from the Green Climate Initiative ("GCI"), an industry-leading green technology accreditation organisation. With this, the Bank's data centre is officially a Certified Green Computing Facility and the only facility in Malaysia to achieve the prestigious Titanium+ ranking by scoring a near-perfect 99 out of 100 points in the Certified Green Computing Facility ("CGCF") Weighted Scorecard.

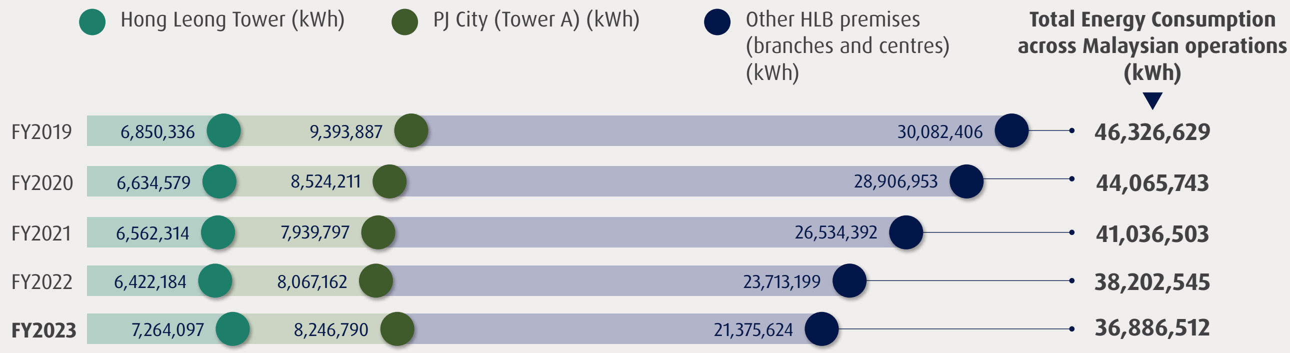
Water Consumption

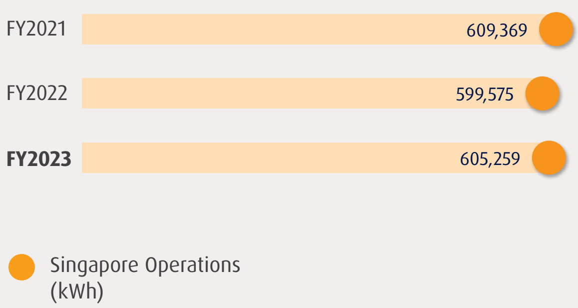
The Bank seeks to promote efficient utilisation of our resources while effectively managing water consumption without compromising the safety, comfort and reliability of the Bank's physical operations. We are cognisant of the importance of water management in our journey towards sustainable business operations. Despite the increase of water consumption compared to the previous year, which is largely due to the normalised movement of people coming back to work post pandemic, water consumption at HLB has seen a 30% reduction since FY2019.

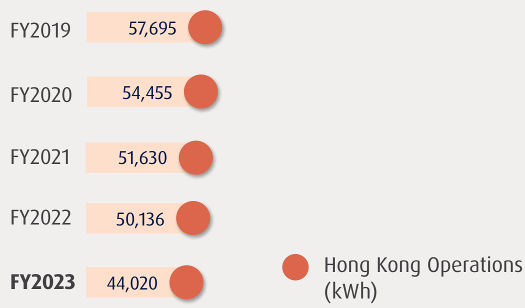
Paper Consumption

Paper is a key resource for banking activities and we believe that reducing paper consumption will significantly contribute to our sustainability efforts. While we have adopted practices that allow us to reduce wastage and optimise operating costs, we also acknowledge that growth in business would impact our resources as well. The increase of paper consumption in FY2023 is due to the increased opening of external accounts, ASNB transactions, SME growth, and disbursement of transactions and facilities. However, we have also made efforts to increase the purchase of Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC") certified papers.

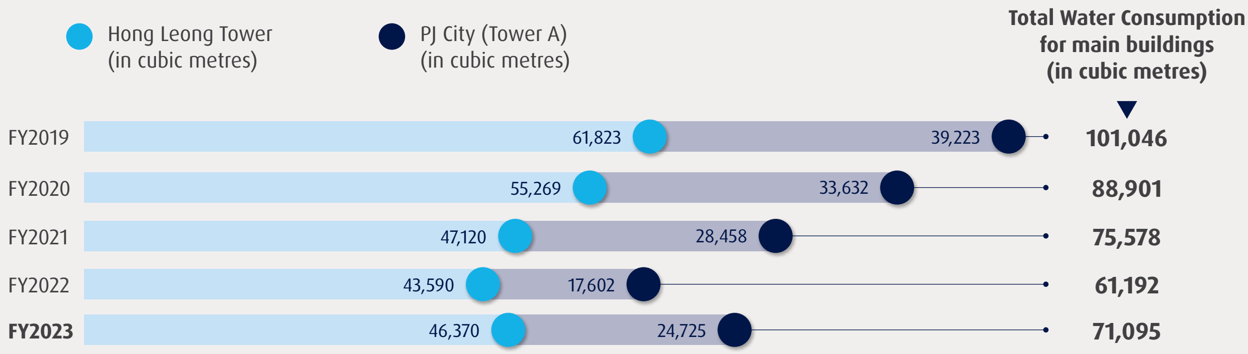
Energy Consumption



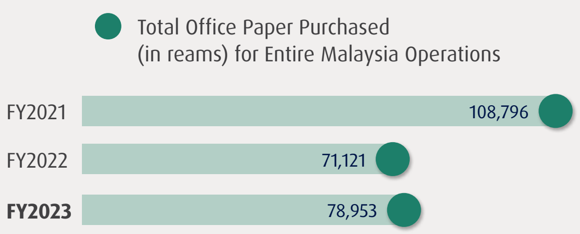


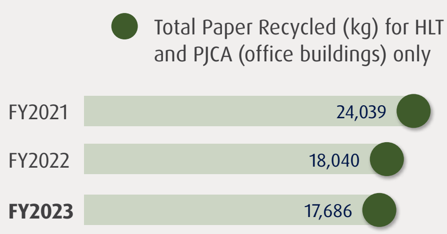


Water Consumption



Paper Consumption





For more details on Optimising Resource Efficiency, please refer to the Sustainable Operations chapter on pages 63 to 65 of the HLB Sustainability Report 2023.

OUR CARBON FOOTPRINT

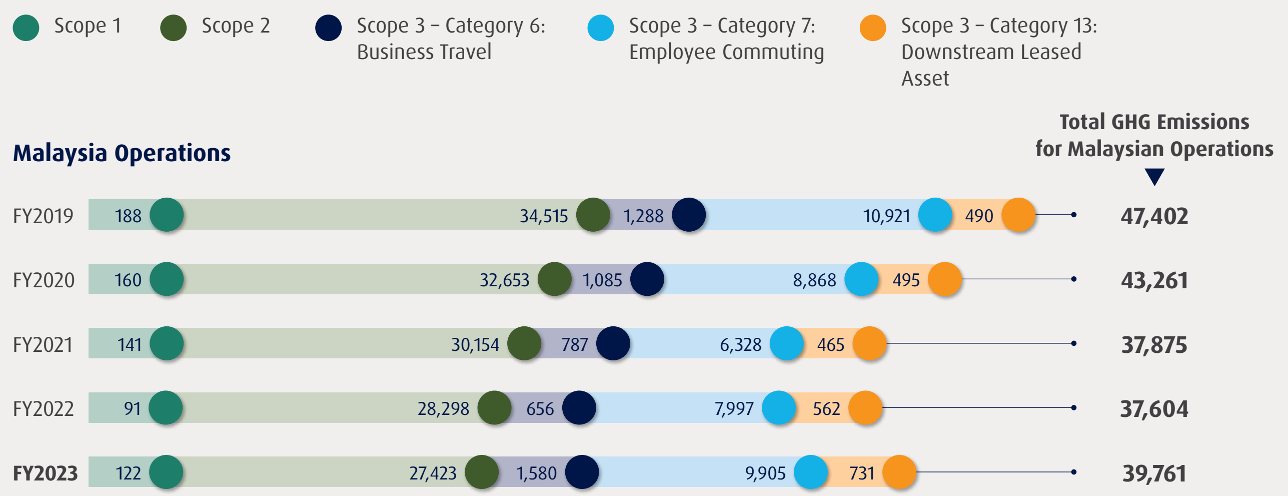
In FY2021, we developed our Greenhouse Gas (GHG) emissions framework with reference to the IPCC and the GHG Protocol to start compiling our GHG inventory and monitoring our Scope 1, Scope 2 and Scope 3 GHG emissions. We established our baseline year FY2019 to start paving our decarbonisation journey towards our Net Zero ambition.

We made steady progress towards our Net Zero ambitions and carbon reduction targets last year reducing about 21% of our operational carbon emissions (Scope 1 & 2 in Malaysia) since FY2019, ahead of the targeted reduction of 15% to 25% by the year 2026. In FY2023, we expanded our GHG Framework to include our Singapore and Hong Kong branches and we intend to include our Cambodia and Vietnam subsidiaries in FY2024.

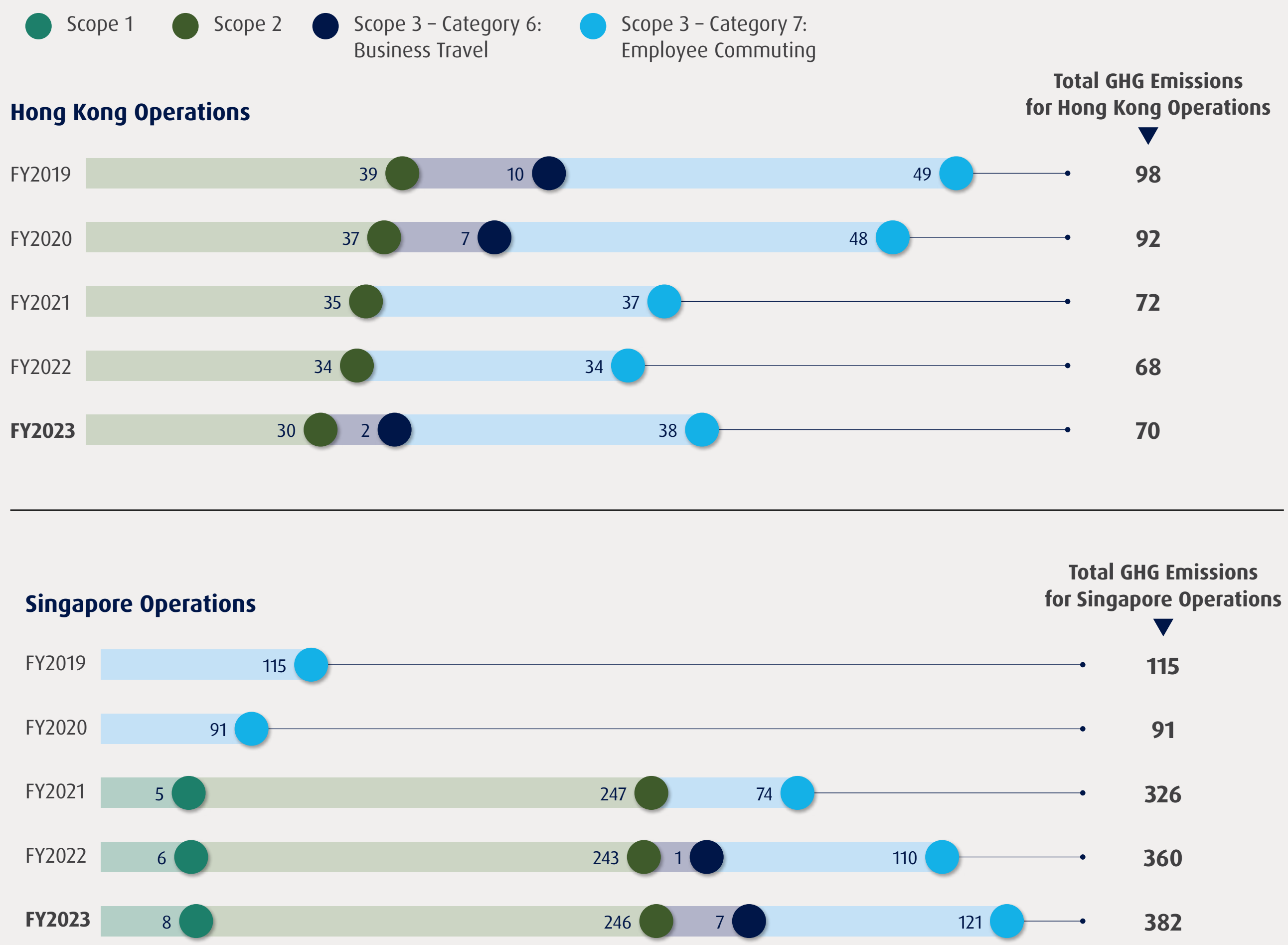
FY2023 Key Highlights

Expanded the GHG boundaries to Singapore and Hong Kong operations	Added Scope 3 emissions which is Category 7: Employee Commuting and Category 13: Downstream Leased Asset	Conducted 'Introduction to HLB GHG Framework' webinars to employees during our sustainability month	Achieve 21% reduction of operational carbon emissions (Scope 1 & 2 in Malaysia)

GHG Emissions (in tonnes CO_2eq)



GHG Emissions (in tonnes CO_2eq)



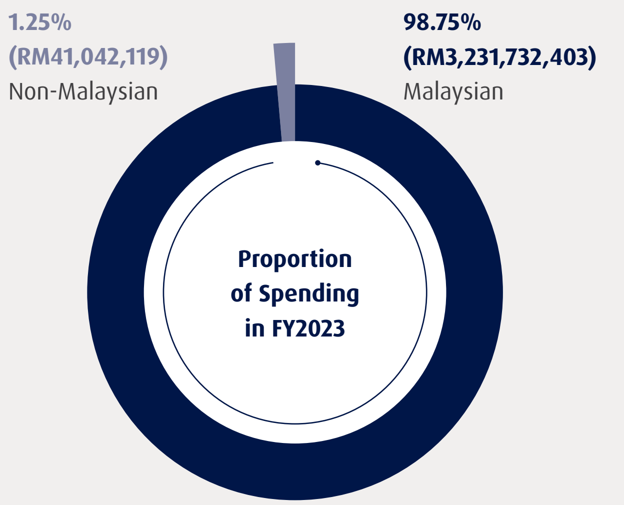
For more details and explanation on each of the data, please refer to the Our Carbon Footprint on pages 66 to 67 of the HLB Sustainability Report 2023.

Sustainable Supply Chain

A sustainable supply chain upholds environmental goals and societal values of an organisation. At HLB, we are committed to integrating environmental and social practices into our supply chain. We aim to reduce the negative environmental and social impact of our business activities by focusing on sustainable and responsible sourcing.

As a way of accelerating the Bank's sustainability journey, we have implemented our Procurement Policy, integrated with ESG elements, aiming to structure and standardise commercial partnership development with suppliers. The policy also guides vendors to enhance their ESG risk mitigation and disclosures.

In an effort to support local businesses, 2,085 of 2,159 vendors, approximately 96%, that supply us with products and services are Malaysian companies. The Bank also appoints Malaysian vendors for security services, telecommunications services, office equipment, furniture and fittings, maintenance, cleaning services, real estate, data line, courier services, security devices and other services. In addition, we employ multinational suppliers with a local presence to guarantee that we acquire the most up-to-date and efficient IT solutions, which reinforces our goal to develop a thriving local business environment.



Note: The amount spent include all paid invoices for FY2023.

Cyber Security Awareness

We proactively promote and consistently reinforce a robust cyber risk awareness culture within the Bank. This involves instilling a sense of accountability in every employee to protect the confidentiality of both our customers and the Bank. To further enhance this, a series of cyber risk educational initiatives have been developed and launched.

e-Learning

Conducted Bank-wide annual mandatory e-learning on Cyber Security and Cyber Risk Management. To ensure knowledge retention, employees are required to complete and pass an assessment with a score of 80%.

Cyber Leaders Training

Conducted Cyber Leaders training to give a practical overview of the cyber incident handling for managers to guide their team on how to react and report on any potential cyber attacks.

Cyber Comics

We introduced a series of comics on cyber risk awareness with a virtual cyber security ambassador in the form of an avatar that promotes cyber security best practices within our organisation.

Phishing Awareness

For the year under review, the Technology Risk department conducted a phishing awareness exercise to drive staff's understanding of possible risks.

In FY2023, we recorded zero cases of substantiated complaints received regarding identity leaks, thefts and losses of customer data, further solidifying the resilience and effectiveness of our internal protocols towards protecting our customers' privacy.

OUR PEOPLE

Nurturing a Sustainable Employee Experience

Our overarching value of being 'Here for the Long Term' extends to how we care for our employees. At HLB, we strive to create meaningful employee experiences that enable them to have a meaningful journey with us. The following core pillars drive our efforts in nurturing a sustainable employee experience.

Workplace Readiness

Driving HR practices across the organisation with agility via HLB@ Workday

Workforce Readiness

Continue to build depth through upskilling efforts. For example by incorporating ESG awareness into learning

Talent Management

Deepen and strengthen end-to-end talent management processes

Employee Well-being, Health & Safety, Environment

Safeguarding Well-being, Health & Safety with focus on mental and emotional resilience

Workplace Readiness

Our approach to enabling workplace readiness centres around our drive to digitalise core HR processes, as well as learning experiences. Key to our efforts is the HLB@Workday platform, which has facilitated convenience to our employees to access our resources wherever they work even as they work remotely. This mobile-first strategy enables adaptability to how we engage and provide training for our employees.

Learning & Development on HLB@Workday

▼

Encouraging an 'anytime, anywhere' learning mindset

Our training in HLB@Workday contributed to a **5% increase** in training hours (contributed by increased training hours for Mandatory e-Learning and uptake in weekly online e-learning modules).

In addition to mandatory e-Learning, 3,323 employees voluntarily completed e-learning courses on the platform, recording a **14% increase** in the number of employees from FY2022

Total Training Hours	Average Training Hours per Employee
650,409 (5% increase from FY2022)	**79** (2% increase from FY2022)

Prioritising Employee Well-Being, Health, and Safety

We believe that we have a fundamental responsibility in providing a safe and healthy working environment for our colleagues. Developed in line with relevant health and safety-related national requirements, our robust Occupational Safety and Health Standard Operating Procedure ("OSHA SOP") guides the Bank to identify and manage its OSH risks.

Our OSH Committee, comprising the Bank's management and employee-representatives, oversees the implementation of OSH-related practices across our operations. In accordance with our OSHA SOP, our designated inspection team also conducts periodic risk assessments to identify, assess and control safety risks and hazards at the workplace.

As part of the Bank's obligation to ensure employees are aware and properly trained on OSH-related topics and OSHA (Amendment) 2022, the Bank's L&D team collaborates with the Property & Facilities Management (PFM) team to roll out e-Learnings, physical and virtual workshops to various groups of employees. In FY2023, 195 employees assigned as OSH representatives completed the OSH training session and managed to achieve 1,560 training hours with an average of 8 hours per employee. The training was also converted into mandatory e-learning for employees and launched in September 2022 to drive awareness of OSH bank wide.

Moving forward, the Bank is intent on improving the organisational health and safety in furtherance of managing and mitigating OSH risks. To that end, we have developed an OSH training plan for the year 2023 with several initiatives to keep our employees abreast of health and safety standards and protocols. This includes a First Aider Workshop, scheduled to be rolled out from September to October 2023, and OSH Coordinators training in accordance with the Occupational Safety and Health (Amendment) Act 2022 which stipulates the requirement of an OSH Coordinator should the organisation have five or more employees.

Health and Safety	FY2021	FY2022	FY2023
Percentage of absenteeism rate (%)*	1.15%	1.29%	**2.39%**
Total No. of accidents with fatalities	NIL	NIL	**NIL**
Total No. of Days Lost due to Accidents inside the Workplace premises**	0	191.50	**67**
Total No. of Accidents inside the Workplace premises**	1	4	**5**

* *The % of Absenteeism Rate is calculated using the recommended formula as per ISO standards.*

** *Total No. of Days Lost due to Accidents inside the Workplace premises and Total No. of Accidents inside the Workplace premises is calculated based on reporting to DOSH.*

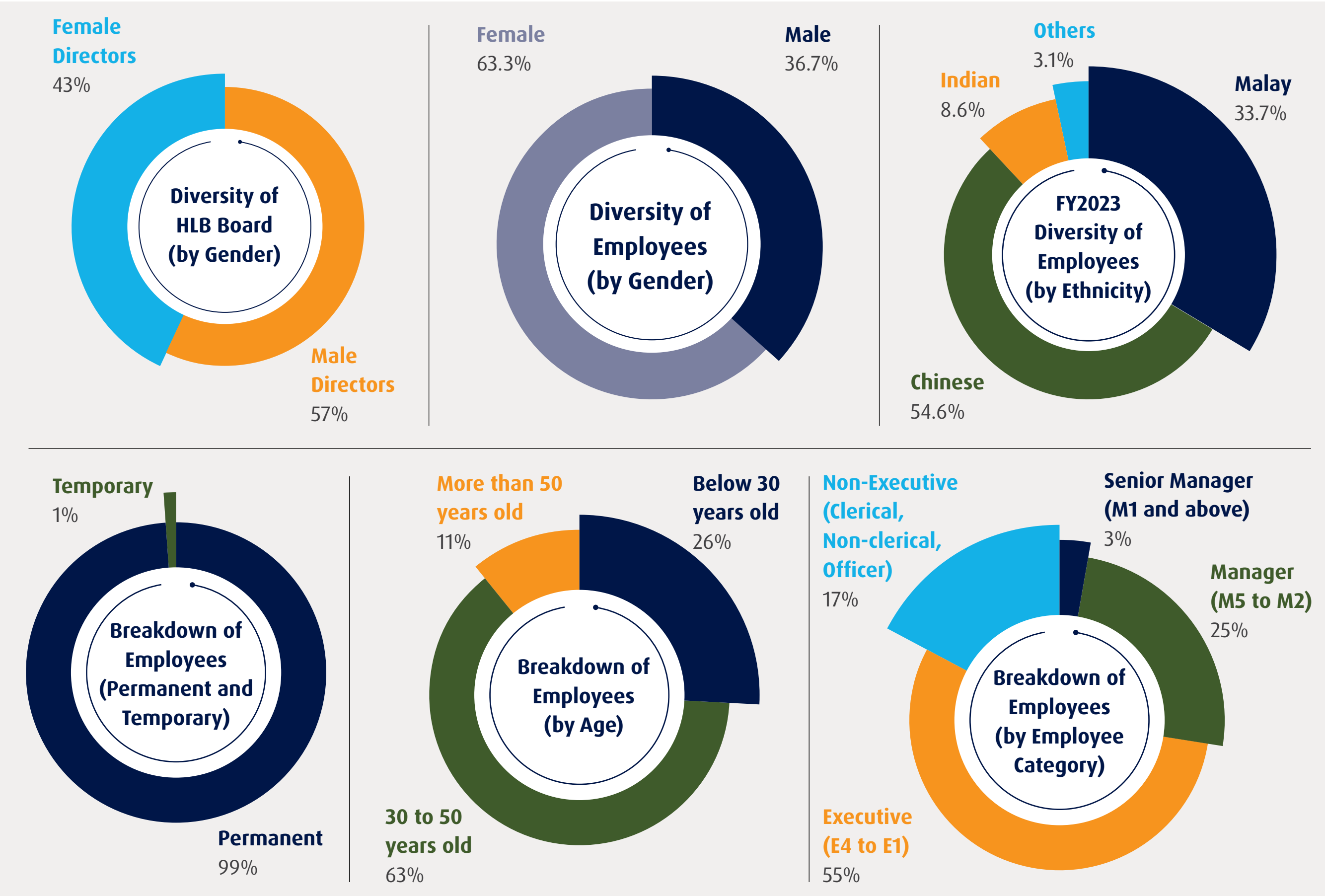
Fostering Employee Engagement and Satisfaction

Employee engagement is key to maintaining an effective and healthy workplace environment. Our goal is to create a supportive work environment that addresses the unique needs of our employees, regularly evaluating and enhancing policies to uphold the Bank's mission and values. We provide numerous channels for open communication, enabling our employees to interact with senior management and leaders throughout the organisation. This approach allows us to actively connect with our staff, addressing diverse topics of interest, providing financial assistance, and offering guidance on matters that concern both employees and the organisation. This year, 18 grievances and items of concern were raised and resolved.

Cultivating Diversity and Inclusion

At HLB, diversity and inclusion are foundational to our culture and the growth of our business. Our Code of Conduct serves as the cornerstone for establishing a safe and inclusive work environment, free from discrimination, where all employees receive equitable treatment, regardless of their demographics, age, or background. Throughout the Bank, a meritocratic approach guides all HR practices, including recruitment, remuneration, and training and development processes.

Snapshot of Our Employee Composition in FY2023



Total Employee Turnover based on Employee Category

Senior Manager - **23**
Manager - **367**
Executive - **1,258**
Non-Executive - **0**

Total Training Hours Per Employee Category

Senior Manager - **13,021**
Manager - **145,495**
Executive - **325,423**
Non-Executive - **166,470**

For more details on Employee Composition, please refer to the Appendix I: HLB in Numbers chapter on pages 88 to 91 of the HLB Sustainability Report 2023.

FOSTERING A SUSTAINABILITY DRIVEN CULTURE

Sustainability Awareness and Training Initiatives

In the last couple of years, we have employed a comprehensive strategy to promote sustainability awareness and empower our employees to embrace a positive attitude towards ESG principles. This effort aligns with our commitment to provide enduring ESG and VBI solutions. This year, we continued to use training programmes, brown bag sessions, and internal communication tools to actively involve our employees in discussions about sustainability-related matters.

Every year we ensure that all of our employees sit through a mandatory e-learning on Introduction to Sustainability and additionally for all our new hires, they will go through a virtual Introduction to Sustainability training with our Sustainability department.

Capacity Building Through Knowledge Sharing

We recognise that a core aspect of ensuring the success of our sustainability agenda lies in educating our employees on sustainability issues and developing a green-conscious mindset within them. To that end, we have continued to conduct multiple training sessions for our employees this year, to increase their awareness and knowledge of sustainability efforts and how these efforts can be best implemented and practised.

FY2023 Key Highlights

9,309 employees of all categories completed the Sustainability Mandatory E-Learning	**1,840** New Hires attended the 'Introduction to Sustainability' Training	**1,620** employees completed the non-mandatory WWF's ASFI Sustainability modules	**145** BCB Customer Coverage and Credit Evaluation New Hires attended the ESG Assessment Briefing onboarding training

In FY2023, we collaborated with WWF's Asia Sustainable Finance Initiative (ASFI) Academy to provide fundamental knowledge on sustainability for bankwide employees. Six modules have been released and completed by 1,620 employees voluntarily. These modules will be continually rolled out every year to all our employees who are new and have not completed it, as an additional capacity building for their better understanding in sustainability.

HLB Sustainability Month

In furtherance to fostering an internal sustainability culture, the Bank continues to organise the annual HLB's Sustainability Month for FY2023 from March to April, leading to Earth Day on 22nd April 2023. The month-long initiative was dedicated to conducting training and raising sustainability awareness among our employees through several mediums including webinars, workshops, posters, and social media.

Participation throughout the Sustainability Month

782 Webinar Attendees	**1,910 Participants**	**13 Activities**
782 people joined 'Introduction to HLB GHG Framework', 'Earth Chat', and 'Love Food, Hate Waste' webinars	347 people commented, shared, and liked our infographics and posters in our posting in Currents	56 people joined the workshop and learned how to transform used cooking oil into soap

Employee Volunteerism

Driving The Bank's Sustainability Agenda Through Employee Volunteerism

Aligned to our sustainability commitments, we empower our employees to play a direct and active role to make positive, significant and measurable impacts in communities. In FY2023, we continued the implementation of our HLB Employee CSR Programme which provides year-long activities for which employees can participate. In line with HLB's sustainability journey, the programme gives employees the choice of volunteering in our existing initiatives or designing their own community-centric initiatives.

Five Pillars of HLB Employee CSR Programme

- **Environment**
- **Food Security**
- **Festive (Community)**
- **Financial Literacy**
- **Social Enterprise**

Employees can either choose to volunteer in our existing initiatives, such as HLB JumpStart and HLB DuitSmart, or design their own community-centric initiatives for their division, based on the HLB Employee CSR Programme's Five pillars, aligned with the Bank's ESG goals.

In FY2023, 443 employees have volunteered in various community activities which contributed to a total of 7,943 volunteering hours. Under the Festive (Community) pillar, we have collected a total of RM31,524.30 from our employees where the money is used to buy meals for shelters and homes during festive seasons.

Festive Season	Total Meals	Total RM collected from Employees
Deepavali 2022	132	11,812.30
Chinese New Year 2023	100	10,000.00
Raya 2023	100	9,712.00
Total	**332**	**31,524.30**

For more details on HLB Sustainability and ESG initiatives, please refer to HLB Sustainability Report 2023 or scan here to visit the HLB Sustainability Website

Corporate Information

DIRECTORS

Tan Sri Quek Leng Chan *(Chairman)*

Tan Kong Khoon

Kwek Leng Hai

Datuk Dr Md Hamzah bin Md Kassim

Lau Souk Huan

Cheong Soo Ching

Fa'izah binti Mohamed Amin

Datuk Manharlal A/L Ratilal

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Kevin Lam Sai Yoke

GROUP COMPANY SECRETARY

Jack Lee Tiong Jie
MAICSA 7060133
SSM PC No. 202008001704

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Chartered Accountants
Level 10, Menara TH 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2088 8818
Fax : 03-2088 8990
Email : hlsrs@hongleong.com

REGISTERED OFFICE

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9888
Fax : 03-2080 9801
Email : cosec-hlfg@hongleong.com.my

WEBSITE

www.hlb.com.my

Board of Directors' Profile

TAN SRI QUEK LENG CHAN

**Chairman/
Non-Executive/Non-Independent**

Malaysian | 80 | Male

YBhg Tan Sri Quek Leng Chan is qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Bank Berhad ("HLB") and was appointed to the Board of Directors ("Board") of HLB on 3 January 1994. He is the Chairman of the Credit Supervisory Committee ("CSC") of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCM"), a public company; Chairman of Hong Leong Financial Group Berhad ("HLFG"), a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA"), a public company. He is also the Chairman of the Council of Members of Hong Leong Bank Vietnam Limited ("HLBVN").

TAN KONG KHOON

**Executive Director/
Non-Independent**

Singaporean | 66 | Male

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advanced Management Program. He is a Chartered Banker of the Asian Institute of Chartered Bankers.

Mr Tan is the President & Chief Executive Officer of HLFG. He was the Group Managing Director/Chief Executive Officer of HLB from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ Bank.

From March 2007 to December 2009, Mr Tan was the President and Chief Executive Officer of Bank of Ayudhya, the fifth largest financial group in Thailand listed on the Thailand Stock Exchange. The group businesses included commercial and investment banking, life and non-life insurance, stock broking, asset management and consumer finance subsidiaries.

Mr Tan was appointed to the Board of HLB on 1 July 2013 and is a member of the CSC, Executive Committee and Nomination Committee ("NC") of HLB.

Mr Tan is the Chairman of Hong Leong Capital Berhad and a Director of HLFG, both companies listed on the Main Market of Bursa Securities; and a Director of HLA and Hong Leong Investment Bank Berhad, both public companies. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of HLBVN.

Board of Directors' Profile

KWEK LENG HAI

Non-Executive Director/ Non-Independent

Singaporean | 70 | Male

Mr Kwek Leng Hai is qualified as a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He has extensive experience in various business sectors, including but not limited to finance, investment, manufacturing and real estate.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He is also a director of HLCM, a public company in Malaysia and the ultimate holding company of HLB.

Mr Kwek is the Executive Chairman of Guoco Group Limited ("GGL"). He was appointed as a Director of GGL in 1990 and assumed the position of President, Chief Executive Officer from 1995 to 1 September 2016. He is also the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). Both GGL and LSHK are listed on The Stock Exchange of Hong Kong Limited. He is a non-executive director of GuocoLand Limited (GGL's subsidiary listed on Singapore Exchange Securities Trading Limited). He is also a non-executive director of Bank of Chengdu Co., Ltd., an associate company of HLB and listed on the Shanghai Stock Exchange.

DATUK DR MD HAMZAH BIN MD KASSIM

Non-Executive Director/ Independent

Malaysian | 74 | Male

YBhg Datuk Dr Md Hamzah bin Md Kassim holds a PhD in Business from Aston University, United Kingdom and a Master in Business Administration. He was inducted in 2012 into the Alumni Hall of Achievement of Monmouth College in Illinois, USA where he did his undergraduate education.

YBhg Datuk Dr Md Hamzah had over 20 years of experience as strategy and management consultant in global firms specialising in large scale technology and business transformation, working across several sectors with established organisations, ranging from banks to telecommunication companies, public institutions and foreign governments. He is the Co-Founder of The iA Group, where he currently serves as an Advisor. The iA Group, which was established in 2002, specialises in business and public sector transformation, technology and human capital.

Prior to The iA Group, he was the Executive Director/Partner of international firm of Ernst & Young, Vice President and Country Head of the global consulting firm of Cap Gemini and member of the global management team and Country Head of PA Consulting Group.

Before joining the consulting industry in 1995, YBhg Datuk Dr Md Hamzah held various senior positions in government for over 18 years related to industrial R&D management and public policy on technology development and innovation. He also served as a member of expert/advisory groups in various national and international organisations such as United Nations Conference on Trade and Development and Islamic Development Bank, Jeddah. He was the Project Director for the Industrial Technology Master Plan for Malaysia in the Institute of Strategic and International Studies and subsequently took up the position as Director of Science and Technology, Ministry of Science, Technology and Environment to spearhead the implementation of the plan as part of the national strategies to accelerate economic growth and technology development.

In 2006, YBhg Datuk Dr Md Hamzah was appointed as the Consulting Advisor to the National Implementation Task Force chaired by the Prime Minister to oversee the 9th Malaysia Development Plan and in 2009, he was appointed as member of the National Economic Advisory Council (NEAC). YBhg Datuk Dr Md Hamzah was a member of the Review and Operational Panel to the Malaysian Anti-Corruption Commission from 2013 to February 2015. In 2015, he was appointed as member of the Anti-Corruption Advisory Board by the DYMM Yang Di Pertuan Agong and completed his term in 2018 and re-appointed for a second term in 2020 until 18 May 2023.

YBhg Datuk Dr Md Hamzah was appointed to the Board of HLB on 19 May 2016 and is a member of the Remuneration Committee ("RC") and Board Information and Technology Committee ("BITC") of HLB and Hong Leong Islamic Bank Berhad ("HLISB").

YBhg Datuk Dr Md Hamzah is also the Board Chairman of HLISB, a public company.

LAU SOUK HUAN

Non-Executive Director/ Independent

Malaysian | 59 | Female

Ms Lau Souk Huan holds a Bachelor Degree in Accounting (Honours) from the University of Malaya and she is a Certified Public Accountant from the Malaysian Institute of Certified Public Accountants. Ms Lau is also a member of the Malaysian Institute of Accountants.

Ms Lau has more than 30 years of experience in accounting garnered from the accounting profession and the working experience with a global international financial institution and an accounting standard setter. As a former bank Chief Financial Officer ("CFO"), Ms Lau has in-depth knowledge of the banking industry, its operations, drivers and challenges, risk management, critical areas of corporate governance and controls. Ms Lau was a Project Director with the Malaysian Accounting Standards Board ("MASB"), an independent authority which develops and sets accounting standards in Malaysia. Prior to joining MASB in 2010, Ms Lau was with J.P. Morgan Chase Bank Berhad ("JP Morgan") primarily as the CFO for a period of 14 years. In addition, Ms Lau was also co-Country Operating Officer, Director of subsidiary entities, trustee of JP Morgan's retirement fund, country coordinator for philanthropy and company secretary for JP Morgan. Ms Lau was appointed to the Board of JP Morgan in 2002 and served as the Executive Director from 2006 until June 2009. She left JP Morgan in June 2009 but continued to serve as a Non-Executive Director and later Independent Director of JP Morgan until September 2017.

Prior to joining JP Morgan, Ms Lau was with Price Waterhouse (now known as PricewaterhouseCoopers PLT) and assumed various positions over 7 years from December 1987 to June 1995; the last being Senior Manager, Audit and Business Advisory.

Ms Lau was appointed to the Board of HLB on 6 September 2019 and is the Chairman of Board Audit Committee ("BAC") and NC, and a member of the Board Risk Management Committee ("BRMC") and BITC of HLB and HLISB.

CHEONG SOO CHING

Non-Executive Director/ Independent

Malaysian | 63 | Female

Ms Cheong Soo Ching is a Certified Public Accountant of Malaysian Institute of Certified Public Accountants (MICPA), a Certified Information System Auditor of the Information Systems Audit and Control Association (ISACA) and a member of the Malaysian Institute of Accountants (MIA). Ms Cheong is also a fellow member of the Life Management Institute (LOMA).

Ms Cheong has more than 35 years of experience in governance, risk management, compliance and auditing work. She began her career with Ernst and Whinney (now known as Ernst and Young ("EY")) in 1980. She was seconded to the London office of EY for 2 years where she was trained in information system auditing. She continued her career in information system auditing in Malayan Banking Berhad for 2 years and 2 government agencies in Australia for 5 years.

Ms Cheong joined Great Eastern Life Assurance Malaysia Berhad ("GE") upon returning to Malaysia from Australia in 1996. During her tenure in GE, she has served in key positions in internal audit, strategic planning, special projects and risk management function. The last position she held was Chief Risk Officer where she was responsible for governance, risk management, compliance, Business Continuity Management, Anti-Money Laundering and market conduct. She retired from GE in January 2020.

Ms Cheong was appointed to the Board of HLB on 18 May 2022 and is a member of the BAC, BRMC and RC of HLB.

Board of Directors' Profile

FA'IZAH BINTI MOHAMED AMIN

Non-Executive Director/ Independent

Malaysian | 55 | Female

Puan Fa'izah binti Mohamed Amin holds a Bachelor of Arts (Honours, 2nd Upper) in Political Science from Brock University in Canada.

Puan Fa'izah carries more than 20 years of cross-industry credentials, in local conglomerates and multinational corporations. She began her career as a Foreign Correspondent in an American News Wire in the Kuala Lumpur Bureau, before moving on to become an Information Specialist in the United States Information Agency (States Department). She then joined Time Broadcast Group as its Head of News Division in 1995. In 1999, Puan Fa'izah joined TM Berhad, holding multiple portfolios until 2014, inclusive of managing TM's New Media Strategy, heading its Planning & Innovation Group, leading the Group's Business Strategy and as its General Manager of Middle East & Africa Business and eventually as its General Manager of Technology Planning & ICT Business.

In 2014, Puan Fa'izah joined UMW Holdings Group and in 2015 she was appointed as the President of UMW Technology Sdn Bhd. She also carried the portfolio of UMW Group's Chief Digital Officer (CDO) throughout 2015 until 2018. In mid-2018, she left UMW and joined HP Inc as its Managing Director for Malaysia, overseeing HP's business and manufacturing operations. She resigned in November 2020.

Her credential as an Independent Board Member started in 2019 when she was appointed as an Independent Non-Executive Director for Cradle Fund Sdn Bhd, which she holds until today. In the same year, she was also elected as a Governor and Independent Director of American Chambers of Commerce ("AMCHAM"). As a Governor, she provided strategic guidance in the bilateral trade relationship between Malaysia and United States of America. Puan Fa'izah did not seek for re-election and retired as Governor and Independent Director of AMCHAM in August 2020. In January 2022, she was appointed as an Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad and Scicom (MSC) Berhad, both companies listed on the Main Market of Bursa Securities.

Puan Fa'izah was appointed to the Board of HLB on 1 September 2022 and is the Chairman of BITC of HLB and HLISB.

DATUK MANHARLAL A/L RATILAL

Non-Executive Director/ Independent

Malaysian | 64 | Male

YBhg Datuk Manharlal A/L Ratilal holds a Masters in Business Administration from the University of Aston in Birmingham, United Kingdom in 1984 and a Bachelor of Arts (Honours) degree in Accountancy from the City of Birmingham Polytechnic (now known as Birmingham City University, United Kingdom) in 1982. YBhg Datuk Manharlal is a Fellow of the Asian Institute of Chartered Bankers.

YBhg Datuk Manharlal was the Executive Vice President & Group Chief Financial Officer of Petroliam Nasional Berhad (PETRONAS), a member of the Board and Executive Leadership Team of PETRONAS and sat on the Board of several subsidiaries of PETRONAS until his retirement in 2018. Prior to joining PETRONAS in 2003, he was attached with a local merchant bank for 18 years, concentrating in corporate finance where he was involved in advisory work in mergers and acquisitions, and the capital markets.

YBhg Datuk Manharlal is an Independent Non-Executive Director of Genting Berhad and Deleum Berhad, both companies listed on the Main Market of Bursa Securities. He is also an Independent Non-Executive Director of Hong Leong Investment Bank Berhad ("HLIB"), a public company and the Chairman of the Board Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee of HLIB.

YBhg Datuk Manharlal was appointed to the Board of HLB on 15 September 2023 and is the Chairman of the BRMC and RC, and a member of the BAC and NC of HLB.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng Hai are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLB.
2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLB.
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.
4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance Overview, Risk Management and Internal Control in the Annual Report.

Key Senior Management of the Group

KEVIN LAM SAI YOKE

Group Managing Director/ Chief Executive Officer

Singaporean | 54 | Male

Mr Kevin Lam Sai Yoke holds an undergraduate degree in Business Administration from the National University of Singapore and is an alumnus of the Asian Financial Leadership Program.

Mr Kevin Lam was appointed as the Group Managing Director/ Chief Executive Officer of Hong Leong Bank Berhad ("HLB") on 1 July 2023. He is a member of both the Credit Supervisory Committee and Executive Committee of HLB. Mr Kevin Lam is also a Council Member of The Association of Banks in Malaysia (ABM).

Mr Kevin Lam possesses over 30 years of experience in the financial landscape, having assumed various key senior leadership roles covering 5 key markets in Southeast Asia namely Thailand, Vietnam, Singapore, Indonesia and Malaysia. He has a broad range of experiences in strategic planning, business management, marketing, product development, sales and distribution, banking infrastructure development, digital and technology innovation. He has been instrumental in leading financial institutions with cross-functional and cross-cultural backgrounds to build long-term franchises.

Prior to joining HLB, Mr Kevin Lam served as the Head of TMRW Group Digital Banking of United Overseas Bank Limited ("UOB"), for its key regional markets based in Singapore. He has a decade-long experience in various ASEAN markets including in Jakarta as the President Director of UOB Indonesia, and in Kuala Lumpur where he headed Personal Financial Services at UOB Malaysia and later served as its Deputy Chief Executive Officer where he oversaw its Wholesale Banking business and Technology and Operations.

He had also headed the consumer banking loans, sales and distribution in Singapore with UOB, after time with various international banks and technology firms based in Singapore, Hong Kong and the USA.

MALKIT SINGH MAAN

Chief Financial Officer

Malaysian | 57 | Male

Mr Malkit Singh Maan is a Chartered Accountant with the Malaysian Institute of Accountants and a fellow member of CPA Australia. He graduated with a Bachelor of Business in Accounting from Curtin University of Technology, Perth, Western Australia and a Master of Business Administration from Victoria University, Melbourne.

Mr Malkit joined HLB on 22 July 2019 as Chief Financial Officer ("CFO").

Mr Malkit has over 32 years of banking and finance experience. He is primary responsible for the financial management of HLB. Prior to joining HLB, he was with BIMB Holdings Berhad as the Group CFO. Mr Malkit had also previously served as the CFO of Bank Islam Berhad, CFO of ABN AMRO Bank Berhad and Vice President-Finance at RHB Bank Berhad.

Mr Malkit is a director of HLF Credit (Perak) Bhd and Promilia Berhad, both wholly-owned subsidiaries of HLB.

Key Senior Management of the Group

ANDREW JONG ANN KEE

**Managing Director,
Personal Financial Services**

Malaysian | 48 | Male

Mr Andrew Jong Ann Kee holds a LL.B. (Honours) from the University of Nottingham, United Kingdom and an MBA (Distinction) from Imperial College, London. He was a Chevening scholar at both graduate and post-graduate levels. He also holds the CFP CERT TM certification.

His most recent roles saw him leading the Mortgage and Retail Wealth businesses in the Personal Financial Services ("PFS") division of HLB. He also led strategy and planning initiatives for PFS. He assumed his current position on 2 April 2022.

Mr Andrew Jong has over 20 years of diverse professional experience across financial services, consultancy, manufacturing, e-commerce and conglomerate management, having built a successful track record in the areas of strategic planning, banking merger and integration, franchise regionalisation, business growth, capability building and consumer banking.

Mr Andrew Jong joined Hong Leong Group in 2005 and has since held numerous senior positions in different management and operating entities in the group.

YOW KUAN TUCK

**Managing Director,
Business and Corporate Banking**

Malaysian | 52 | Male

Mr Yow Kuan Tuck holds a Bachelor of Laws and Letters degree from University of Leicester, United Kingdom as well as a Certificate of Legal Practice from the Legal Qualifying Board, Malaysia.

Mr Yow joined HLB on 2 May 2017 as Managing Director, Business and Corporate Banking.

Mr Yow has over 25 years of experience in the financial services sector, having built a successful track record in growing corporate and financial institutions businesses, managing portfolios such as financial institutions, public sector and other industry groups.

Prior to HLB, Mr Yow was with Standard Chartered Bank Malaysia as Managing Director, Head of Financial Institutions between 2013 and 2017. He commenced his banking career with Citibank Malaysia in Country Compliance for a number of years before a career change into institutional banking where over the next 15 years, he held various senior positions including Head of Financial Institutions & Public Sector Group in Citibank Malaysia's Corporate Bank.

HOR KWOK WAI

**Managing Director,
Regional Wealth Management**

Malaysian | 49 | Male

Mr Hor Kwok Wai holds a Bachelor of Science in Actuarial Mathematics and Statistics from Heriot-Watt University, United Kingdom. In addition to this, Mr Hor is a Chartered Banker awarded by AICB.

Mr Hor joined HLB on January 2011 and assumed his current position on 2 April 2022.

Mr Hor brings with him over 27 years of banking experience, mainly in the fields of fixed-income, derivatives, asset-liability management and risk management amongst others. Prior to HLB, he was Head of Global Markets for The Royal Bank of Scotland Malaysia where he spent seven years developing their sales and trading business across foreign exchange, fixed income, derivatives and structured products. Prior to that, he had worked for several major foreign banks in Malaysia such as JP Morgan Chase Bank, Standard Chartered Bank and OCBC Bank in various roles.

KELLY ONG HFEI BOON

**Managing Director,
Global Markets**

Malaysian | 49 | Female

Ms Kelly Ong Hfei Boon completed the INSEAD Leadership Program in 2021 and IMD Transitioning Business Leaders (TBL) Program in 2015. She is also a Committee Member of Financial Market Association Malaysia in 2017/2020.

Ms Kelly Ong joined HLB on 18 January 2013 as Regional Head of Institutional Sales, Global Markets. She assumed her current position on 2 April 2022.

Ms Kelly Ong has over 20 years of experience in the financial services sector with deep expertise in Rates, Credit, Derivatives Trading and Sales, Structured Products, Market Risk and Asset Management.

Prior to HLB, Ms Kelly Ong was the Director, Head of Trading for Emerging Markets in The Royal Bank of Scotland (M) Bhd. She also had leadership roles at CIMB Investment Bank Berhad with her last role as Senior Vice President, Cross Market Trading in Group Treasury. She is an experienced trader and institutional sales head.

Key Senior Management of the Group

DAFINAH AHMED HILMI

Chief Executive Officer, HLISB, a wholly-owned subsidiary of HLB

Malaysian | 46 | Female

Puan Dafinah Ahmed Hilmi holds a Bachelor of Arts (Honours) in Accounting and Financial Management from University of Essex, United Kingdom and has a Master of Business Administration (MBA) from the Alliance Manchester Business School, University of Manchester, United Kingdom. She is also a Certified Expert in Sustainable Finance by the Frankfurt School of Finance and Management.

Puan Dafinah was appointed as the Chief Executive Officer of HLISB on 6 June 2023.

Puan Dafinah brings with her 23 years of conventional and Islamic banking experience. She has previously held leadership roles across various areas of banking, including her last role as Head and Director of Commercial Banking at HSBC Amanah Malaysia Berhad. For the past 19 years, Puan Dafinah has been with HSBC, covering roles in Global Banking and Markets, Global Trade and Receivable Finance as well as managing Shariah-compliant Commercial Banking products and solutions. Prior to HSBC, she was with UOB Malaysia where she started her career.

AARON HO WAI CHOONG

Managing Director, China Operations

Malaysian | 68 | Male

Mr Aaron Ho Wai Choong holds a Bachelor of Engineering (Honours) from University of Malaya and a Master of Business Administration from University of Rochester, USA.

Mr Aaron Ho joined HLB in April 2008 as Chief Operating Officer of International Banking of HLB China and assumed his current position on 1 September 2016. He was appointed as Director and Vice Chairman of Bank of Chengdu Co., Ltd. ("BOCD") since July 2008 and a member of the Board of Directors of JinCheng Consumer Finance Company ("JCCFC") since February 2010. Both BOCD and JCCFC are associate companies of HLB.

Mr Aaron Ho has more than 36 years' experience in the banking and financial services industry. Prior to HLB, he had held various managerial positions such as Manager of Operations/Credit of American Express (Malaysia), General Manager of MBf Card Services (Malaysia), Head of RHB Bank Card Center (Malaysia), Vice President, Operations and Technology of MasterCard International (Singapore), Vice President/Senior Country Operations Officer, Citibank Malaysia and Citibank Taiwan as well as General Manager/Director of Citicorp Software and Technology Services (Shanghai) Ltd under CitiGroup China.

NG WEE LEE

Managing Director & Chief Executive, HLB Singapore Branch

Singaporean | 55 | Female

Ms Ng Wee Lee graduated from the National University of Singapore with a Bachelor in Business Administration.

Ms Ng joined HLB on 1 October 2019 as Managing Director & Chief Executive, HLB Singapore Branch.

Prior to HLB, Ms Ng was Managing Director, Head of Local Corporates & Middle Markets and Deputy Head of Commercial Banking from Standard Chartered Bank, Singapore. Prior to that, Ms Ng took on senior roles with CIMB, ANZ Banking Group, ABN AMRO and Citibank in Singapore. She brings with her more than 30 years of experience in Corporate and Commercial Banking, holding senior positions in relationship management, risk & control, product & business development and marketing.

TERRENCE TEOH YIH MIN

Managing Director & Chief Executive Officer, HLBCAM, a wholly-owned subsidiary of HLB

Malaysian | 44 | Male

Mr Terrence Teoh Yih Min holds a Bachelor of Business, major in Banking, Finance and International Trade from La Trobe University, Melbourne, Australia.

Mr Terrence Teoh joined HLBCAM on 15 February 2021 as Managing Director & Chief Executive Officer, HLBCAM.

Mr Terrence Teoh has more than 20 years of working experience in the banking industry. Prior to his current appointment in HLBCAM, he was Head of SME Banking of HLB Malaysia since 2012. HLB has been named Best SME Bank in Malaysia.

Prior to HLB, Mr Terrene Teoh spent 11 years in various senior positions in Citibank, Southern Bank and UOB Malaysia, his last position being the Senior Vice President of Business Banking in UOB Malaysia.

Key Senior Management of the Group

DUONG DUC HUNG

Managing Director & General Director, HLBVN, a wholly-owned subsidiary of HLB

Vietnamese | 47 | Male

Mr Duong Duc Hung holds a Master of Business Administration from Katholieke Universiteit Leuven, Belgium and a Bachelor of Arts in International Economics at Foreign Trade University (Hanoi, Vietnam).

Mr Duong joined HLBVN on 2 January 2018 and was appointed as General Director of HLBVN on 14 February 2018.

Prior to HLBVN, Mr Duong had more than 20 years of banking and financial services experience, with his most recent role as a member of Techcombank's Management Committee as Transformation Director. Prior to that, he had been with ANZ Vietnam for more than 10 years, holding various key portfolios in Product, Performance Management, Wealth Management, Sales & Services before he was appointed to head the entire Retail Banking and Operations.

He is well versed in regional and international business practices, having served in world class organisations such as JP Morgan Chase as the Head of Financial Institutions segment for Vietnam and Cambodia. He was also with HSBC heading the cash management division and the Financial Controller in Baxter Healthcare and Auditor in KPMG, both in Vietnam and abroad.

JASON WONG POH JIN

Managing Director & Chief Executive, HLB Hong Kong Branch

Malaysian | 47 | Male

Mr Jason Wong holds a Master of Finance and a Bachelor of Commerce from the University of Western Australia.

Mr Jason Wong was appointed as the Chief Executive of HLB Hong Kong Branch on 1 June 2023.

Mr Jason Wong has been with HLB since June 2011. Before his current appointment, Mr Jason Wong had been spearheading the Regional Credit & Equity Trading team, which manages the Bank's credit fixed income trading and investments, as well as having an oversight of the Global Markets departments in HLBCAM and HLBVN.

Mr Jason Wong has over 23 years' experience in the financial industry. He started his career as a consultant in financial risk management and derivatives. Mr Jason Wong has experience in Hong Kong's market when he joined Rabobank International Hong Kong as Director of Asian Credit Debt & Derivatives. Prior to joining HLB, Mr Jason Wong was the Head of Credit Investments at OSK Investment Bank Bhd.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLB.

2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with HLB.

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

Board Audit Committee Report

CONSTITUTION

The Board Audit Committee ("BAC") of HLB has been established since 18 August 1994 and was re-designated as the Board Audit & Risk Management Committee ("BARMC") on 10 January 2002. Subsequently, on 2 October 2006, the Board of Directors decided to reconstitute the BAC separately from the Board Risk Management Committee ("BRMC").

COMPOSITION

MS LAU SOUK HUAN
(Chairman, Independent Non-Executive Director)
(Redesignated as BAC Chairman with effect from 1 December 2022)

MS CHEONG SOO CHING
(Independent Non-Executive Director)
(Appointed as BAC member with effect from 1 December 2022)

YBHG DATUK MANHARLAL A/L RATILAL
(Independent Non-Executive Director)
(Appointed as BAC Member with effect from 15 September 2023)

MS CHOK KWEE BEE
(Independent Non-Executive Director)
(Retired with effect from 1 December 2022)

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH
(Independent Non-Executive Director)
(Retired with effect from 21 June 2023)

SECRETARY

The Secretariat to the BAC is the Company Secretary(ies) of the Bank.

TERMS OF REFERENCE

The terms of reference of the BAC are published on the Bank's website ('www.hlb.com.my').

AUTHORITY

The BAC is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BAC.

The BAC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BAC meets at least eight (8) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, other senior management and external auditors may be invited to attend the BAC meetings whenever required. At least twice a year, the BAC will have separate sessions with the external auditors without the presence of Executive Directors and management.

The BAC will also engage privately with the Chief Internal Auditor on a regular basis to provide the opportunity for the Chief Internal Auditor to discuss issues faced by the internal audit function.

Issues raised, discussions, deliberations, decisions and conclusions made at the BAC meetings are recorded in the minutes of the BAC meetings. A BAC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BAC meeting where the material transaction or material arrangement is being deliberated by the BAC.

Two (2) members of the BAC, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors. No business shall be transacted at any BAC meeting unless a quorum is present at the commencement of the meeting and when conducting the business of the meeting.

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

Board Audit Committee Report

ACTIVITIES

The BAC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2023, eight (8) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Lau Souk Huan	8/8
Ms Cheong Soo Ching [(1)]	4/4
Ms Chok Kwee Bee [(2)]	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [(3)]	8/8

Notes:

(1) Appointed as BAC member with effect from 1 December 2022

(2) Retired as BAC Chairman with effect from 1 December 2022

(3) Retired as BAC member with effect from 21 June 2023

YBhg Datuk Manharlal A/L Ratilal was appointed as BAC member after the close of the FY2023 and as such, did not attend any of the BAC meetings during the FY2023.

HOW THE BAC DISCHARGES ITS RESPONSIBILITIES

FINANCIAL REPORTING

The BAC reviewed the quarterly reports and financial statements of the Company and of the Group focusing particularly on:

(i) any changes in accounting policies and practices;
(ii) significant adjustments arising from the audit;
(iii) the going concern assumptions; and
(iv) compliance with accounting standards and other legal requirements.

In the course of reviewing the quarterly reports and financial statements, BAC had made enquiries and sought explanations from the Senior Management including Chief Financial Officer on any significant changes between the current and corresponding quarter/period.

EXTERNAL AUDIT

The external auditors of the Group for the financial year ended 30 June 2023 is PricewaterhouseCoopers PLT ("PwC PLT"). The BAC discussed and reviewed with the external auditors, before the audit commences for the financial year:

(i) the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements; and

(ii) the methodology and timetable of the Statement on Internal Control and Risk Management.

The BAC reviewed the report and audit findings of the external auditors and considered management's responses to the external auditors' audit findings and investigations. The BAC also had two (2) separate sessions with the external auditors without the presence of Executive Directors and management whereby matters discussed include key reservations noted by the external auditors during the course of their audit; whilst the BAC Chairman maintained regular contact with the audit partner throughout the year.

The BAC reviewed the external auditors' fees and their scope of services. The approved and incurred fees for the financial year ended 30 June 2023 amounted to RM4,819,548, of which RM255,000 was payable in respect of non-audit services. Non-audit services accounted for 8% of the total audit fees payable. The BAC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BAC also evaluated the performance of PwC PLT in the following areas in relation to its re-appointment as auditors for the financial year ended 30 June 2023 and considered PwC PLT to be independent:

(a) level of knowledge, capabilities, experience and quality of previous work;

(b) level of engagement with BAC;

(c) ability to provide constructive observations, implications and recommendations in areas which require improvements;

(d) adequacy in audit coverage, effectiveness in planning and conduct of audit;

(e) ability to perform the audit work within the agreed timeframe;

(f) non-audit services rendered by PwC PLT does not impede independence;

(g) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLB; and

(h) risk of familiarity in respect of PwC PLT's appointment as external auditors.

PwC PLT, in accordance with professional ethical standards, has provided the BAC with confirmation of their independence for the duration of the financial year ended 30 June 2023 and the measures used to control the quality of their work.

The BAC has therefore recommended to the Board that PwC PLT be re-appointed as the auditors. Resolution concerning the re-appointment of PwC PLT will be proposed to shareholders at the 2023 Annual General Meeting.

RELATED PARTIES TRANSACTIONS

The BAC conducted quarterly review of the recurrent related party transactions ("RRPT") entered into by the Group to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public.

The Group had put in place the procedures and processes to ensure the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable.

The BAC reviewed the said procedures and processes on an annual basis and as and when required, to ensure that the said procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT will be carried out on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.

CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

The Group is guided by the Guidelines on Credit Transactions and Exposures with Connected Parties to ensure that credit transactions with connected parties are carried out on an arm's length basis on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness.

The BAC had conducted quarterly review of credit transactions of the Group with connected parties to ensure compliance with the said Guidelines.

WHISTLEBLOWING

The Group has in place the Whistleblowing policy and procedures to provide an avenue for all employees and directors of the Group, as well as any (legal or natural) person including those providing services to, or having a business relationship with the Group, to raise genuine concerns about any improper conduct or wrongful act ("Improper Conduct") that is committed involving the Group and/or the Group's employees and business partners through the Group's whistleblowing channels on a confidential basis.

The BAC reviews the Group's Whistleblowing Policy on an annual basis and as required, to ensure the policy is adequate and relevant to the Group, with compliance to applicable laws and regulation in relation to Whistleblowing. The BAC reviews and performs oversight on the effective implementation of the policies and procedures on Whistleblowing for the Group.

Upon receipt of any whistleblower report over Improper Conduct involving the Group, the Chairman of BAC shall decide whether the report should proceed to investigation and where applicable, forwarded the report to the appropriate person(s) in the Group to carry out the necessary actions. The BAC deliberates the outcome of whistleblowing reports and matters in the exclusive Whistleblowing agenda at the BAC meetings in a confidential manner, to:

i. discuss and review the investigation reports;

ii. deliberate on the findings and recommendation from the report; and

iii. decide on further steps to be taken in accordance with the Group's Whistleblowing policy and procedures.

Board Audit Committee Report

INTERNAL AUDIT

The BAC reviewed the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Group Internal Audit Division ("GIAD").

During the financial year, BAC noted that GIAD had effectively carried out internal audits to all business entities of the Group, and reviewed the GIAD's reports on the audits performed on the Group as set out in the Internal Audit Function section below.

The BAC has reviewed the audit findings and recommendations of the GIAD, including any findings of internal investigations, and has ensured that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements and policies. The BAC also reviewed at every BAC meeting the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BAC to ensure that the root causes raised by GIAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

GROUP INTERNAL AUDIT DIVISION

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. GIAD employs a risk-based assessment approach in auditing the Bank's Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised to potential risk exposure and impact.

During the financial year ended 30 June 2023, GIAD carried out its duties covering audits on branches, and risk-based audits on Personal Financial Services, Business Corporate Banking and Global Markets businesses, Group Operations and Technology, Group Functions, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

Besides performing internal audit functions to the Bank Group, GIAD, through a service agreement, also provides internal audit services to Hong Leong Investment Bank Berhad, Hong Leong Assurance Berhad, and Hong Leong MSIG Takaful Berhad in regards to reviews of IT infrastructure, operations and information security management. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2023 was RM14.5 million.

This BAC Report is made in accordance with the resolution of the Board of Directors.

Board Risk Management Committee (BRMC) Report

CONSTITUTION

The Board Risk Management Committee ("BRMC") is established to support the Board in discharging the following responsibilities:

1. Oversee Management's implementation of the Bank's governance framework and internal control framework/ policies.

2. Ensure Management meets the expectations on risk management as set out in the policy document on Risk Governance.

3. Oversee Management's implementation of compliance risk management.

4. Promote the adoption of sound corporate governance principles as set out in the Policy Document on Corporate Governance within the Bank and its subsidiaries (collectively known as "the Bank").

5. Consider Environmental, Social and Governance (ESG) issues when reviewing, risk management policies, as well as oversee progress against goals and targets for addressing climate related issues.

COMPOSITION

The BRMC shall:

(a) have at least three directors;

(b) comprise only non-executive directors, with a majority of them being independent directors;

(c) be chaired by an independent director who is not the Chairman of the Board;

(d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the board committee; and

(e) include the Chair of the Board Audit Committee.

SECRETARY

The Secretariat to the BRMC is the Group Risk Management ("GRM") of the Bank.

TERMS OF REFERENCE

RISK MANAGEMENT

1. To review Management's activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, interest rate risk in the banking book, operational risk, compliance risk, and environmental, social and governance (ESG) risk.

2. To review Management's reporting to the Board on measures taken to:

   (a) Identify and examine principal risks faced by the Company.

   (b) Implement appropriate systems and internal controls to manage these risks.

3. To review Management's major risk management strategies, policies and risk tolerance for Board's approval.

4. To review Management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan for Board's approval.

5. To review Management's development and effective implementation of the ICAAP.

6. To review Management's stress testing governance including the evaluation of the capital stress test scenarios, parameters, key assumptions, climate risk pathways and results.

7. To review Management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.

8. To review the adequacy and effectiveness of Management's internal controls and risk management process.

9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

10. To review risk management function's infrastructure, resources and systems and to ensure the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk-taking activities.

Board Risk Management Committee (BRMC) Report

11. To receive and review reports from pertinent management committees.

12. To review Management's implementation of risk management as set out in BNM's policy documents on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.

13. To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.

14. To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide opportunity for the Chief Risk Officer to discuss issues faced by the risk management function.

15. Other risk management functions as may be agreed to by the Board.

COMPLIANCE

1. To assist the Board in the oversight of the management of compliance risk by:

    (a) reviewing compliance policies and overseeing management's implementation of the same;

    (b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer to ensure the compliance function and Chief Compliance Officer has appropriate standing, authority and independence;

    (c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;

    (d) reviewing annually the effectiveness of the Company's overall management of compliance risk, having regard to the assessments of Senior Management and internal audit and interactions with the Chief Compliance Officer;

    (e) overseeing the Management's implementation of the principles set out in the Policy Document on Fair Treatment of Financial Consumers, including to promote the adoption of a sound corporate culture within the Bank which reinforces ethical, prudent and professional conduct and behaviour; and

    (f) updating the Board on all compliance matters, including providing its views on (a) to (e) above.

2. In relation to the role of the Chief Compliance Officer, support the Board in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:

    (a) reviewing and advising on the appointment, remuneration, removal and redeployment of the Chief Compliance Officer;

    (b) ensuring that the Chief Compliance Officer has sufficient stature to allow for effective engagement with the CEO and other members of Senior Management;

    (c) engaging privately with the Chief Compliance Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Compliance Officer to discuss issues faced by the compliance function;

    (d) ensuring that the Chief Compliance Officer is supported with sufficient resources to perform duties effectively; and

    (e) where the Chief Compliance Officer also carries out responsibilities in respect of other control functions, the BRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the Chief Compliance Officer.

3. Other compliance functions as may be agreed to by the Board.

GOVERNANCE

1. Noted that:

    (a) The Bank, as a company with licensed subsidiary companies has overall responsibility for ensuring the establishment and operation of a clear governance structure within its subsidiaries.

    (b) The Board's responsibility is to promote the adoption of sound corporate governance principles throughout the Bank.

    (c) The Bank's risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation within the Bank.

    (d) The respective subsidiaries' board of directors and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at the Bank level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of Bank policies.

Board Risk Management Committee (BRMC) Report

AUTHORITY

The BRMC is authorised by the Board to:

1. review any activities of the Bank within its terms of reference;

2. seek any information it requires from any Director or member of Senior Management and in this respect, all employees are directed to co-operate with any request made by the BRMC, including but not limited to providing the BRMC with sufficient support and resources to investigate any matter within the mandates of the BRMC; and

3. obtain independent legal or other professional advice if it considers necessary.

The Board remains fully accountable for any authority delegated to the BRMC.

MEETINGS

The BRMC meets at least eight (8) times a year and additional meetings may be called at any time as and when necessary.

The Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Audit, Chief Compliance Officer, other Senior Management, employees and external auditors may be invited to attend the BRMC meetings, whenever required.

Issues raised, discussions, deliberations, decisions and conclusions made at the BRMC meetings are recorded in the minutes of the BRMC meetings. A BRMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BRMC meeting where the material transaction or material arrangement is being deliberated by the BRMC.

Two (2) members of the BRMC, who shall be independent and non-executive, shall constitute a quorum. No business shall be transacted at any BRMC meeting unless a quorum is present at the commencement of the meeting and when conducting the business of the meeting.

After each BRMC meeting, the BRMC shall report and update the Board on significant issues and concerns discussed during the BRMC meetings and where appropriate, make the necessary recommendations to the Board.

REVISION OF THE TERMS OF REFERENCE

Any revision or amendment to the Terms of Reference, as proposed by the BRMC, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference which shall be considered duly revised or amended.

ACTIVITIES

The BRMC carried out its duties in accordance with its Terms of Reference supported by the Group Risk Management and Group Compliance functions.

For the financial year ended 30 June 2023, eight (8) BRMC meetings and one (1) special BRMC meeting was held and the attendance of the BRMC members is recorded as follows:

Members	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (1)	9/9
Ms. Chok Kwee Bee (2)	5/5
Ms. Lau Souk Huan	9/9
Ms. Cheong Soo Ching (3)	4/4

Notes:
(1) Retired as a Chairman with effect from 21 June 2023
(2) Retired as a Member with effect from 1 December 2022
(3) Appointed as a Member with effect from 1 December 2022

The BRMC reviewed major risk management strategies, policies and risk appetite levels for Board's approval. In addition, the BRMC regularly reviews risk management reports which covers global and regional economic developments, risk headwinds, capital adequacy, stress tests, credit risk, market risk, interest rate risk in the banking book, compliance risk, liquidity risk, operational risk and environment, social and governance (ESG) risk.

The BRMC also regularly reviews regulatory compliance and financial crime compliance reports which include new regulatory updates, compliance assurance reports, non-compliant incidents report and financial crime compliance trends. The BRMC continuously provides oversight of the Bank's compliance activities to ensure that the Bank is in compliance to all established policies and external regulations.

The BRMC deliberated on stress test results formulated against the backdrop of a highly stressed economic environment, which provided insightful and timely updates particularly on the Bank's financial, capital and liquidity impacts, as well as Management's efforts taken to mitigate any impact.

Board Risk Management Committee (BRMC) Report

The BRMC also reviewed reports on Management's initiatives on integrating sustainability into the Bank's business and operations. The BRMC deliberated on the progress of the Bank's adoption of BNM's Climate Change & Principle-based Taxonomy (CCPT), Climate Risk Management and Scenario Analysis (CRMSA) as well as the enhancements to ESG assessment frameworks and initiatives. Furthermore, the BRMC evaluates our disclosure developments through the implementation of the Taskforce on Climate-Related Financial Disclosures (TCFD). In managing climate-related risk, the BRMC endorsed the embedding of a risk appetite statement on climate change resiliency, as we set towards the Bank's development of relevant risk metrics to manage climate-related risks. The BRMC have also reviewed and endorsed the recovery plan developed for the financial holding company (FHC), which is HLFG and the Bank.

Corporate Governance Overview, Risk Management & Internal Control Statement

> **Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders.**
>
> Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG") 2021 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2023 of the Bank in relation to this statement is published on the Bank's website, www.hlb.com.my ("the Bank's Website").

The Board also reviewed the manner in which the Bank Negara Malaysia's ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Bank's Website. The Board Charter was last reviewed by the Board in July 2023. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Board Audit Committee ("BAC"); and risk management to the Board Risk Management Committee ("BRMC"). The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Bank and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of this Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") and Hong Leong Bank Group Code of Conduct & Ethics, which have been adopted by the Board and published on the Bank's Website. Details of the Hong Leong Bank Group Code of Conduct & Ethics are set out in Section F of this Statement.

SECTION B. BOARD COMPOSITION

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of seven (7) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Bank is guided by the BNM CG Policy and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2023, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

SECTION C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

(A) BAC

The composition of the BAC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BAC had met its responsibilities are set out in the BAC Report in this Annual Report.

The BAC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

(B) BRMC

The composition of the BRMC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BRMC had met its responsibilities are set out in the BRMC Report of this Annual Report.

The BRMC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

(C) NC

The NC was established on 17 June 2003. The composition of the NC is as follows:

- Ms Lau Souk Huan (Chairman)
- Mr Tan Kong Khoon
- YBhg Datuk Manharlal A/L Ratilal
  (Appointed as NC member with effect from 15 September 2023)

The NC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

The Bank has in place a Fit and Proper ("F&P") Policy as a guide for the process and procedure for assessment of inter alia, (i) new appointments and re-appointments of Chairman, Directors and GMD/CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and GMD/CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New Appointments

The nomination, assessment and approval process for new appointments is as follows:

Identification of candidates	Meeting with candidates	• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration by candidates • Relevant Credit Bureau Checks • CTOS (Bankruptcy) Search • Independent Background Checks • Recommendation by the NC	Deliberation by the Board and decision thereof

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and required mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Bank has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of GMD/CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

(ii) Re-Appointments

The assessment and approval process for re-appointments is as follows:

• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration • Relevant Credit Bureau Checks • CTOS (Bankruptcy) Search • Independent Background Checks • Recommendation by the NC	Deliberation by the Board and decision thereof

For re-appointments, the Chairman, Directors and GMD/CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and commitment, and for independent directors, their independence. The NC will also consider the results of the Annual Board Assessment (as defined below), their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(iii) Board Committees Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committees Appointments") is as follows:

Identification of Directors for Board Committees membership	►	• Assessment against Assessment Criteria and BNM Guidelines • Recommendation by the NC	►	Deliberation by the Board and decision thereof

The assessment for Board Committees Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

• Directors to complete: - the Board Annual Assessment Form - the F&P Declaration • CEO to complete the F&P Declaration • Independent Background Checks	►	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	►	Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and GMD/CEO pursuant to the BNM Guidelines. Directors and GMD/CEO are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Directors, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of 1 year of service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of the Board Committee members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Bank and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(iv) Annual F&P Assessment (Continued)

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

During the financial year ended 30 June 2023 ("FY2023"), three (3) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Lau Souk Huan [(1)]	1/1
Mr Tan Kong Khoon	3/3
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [(2)]	3/3
Ms Chok Kwee Bee [(3)]	2/2

(1) *Appointed as NC Chairman with effect from 1 December 2022*
(2) *Retired as NC member with effect from 21 June 2023*
(3) *Retired as NC Chairman with effect from 1 December 2022*

YBhg Datuk Manharlal A/L Ratilal was appointed as NC member after the close of the FY2023 and as such, did not attend any of the NC meetings held during the FY2023.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2023:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Bank. The NC will continue to maintain women participation on the Board in line with the MCCG;

- Considered and assessed the position of Independent Directors of the Bank and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors, GMD/CEO and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors, GMD/CEO and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;

- Reviewed the term of office and performance of the BAC and each of its members in accordance with the TOR of BAC and was of the view that the BAC and each of its members had carried out their duties in accordance with the BAC TOR for the period under review;

- Reviewed the re-appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;

- Reviewed the appointment of Directors and GMD/CEO in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;

- Considered the re-election of Directors who are due for retirement at the Annual General Meeting ("AGM") pursuant to the Constitution of the Bank;

- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees, and recommended to the Board for consideration and approval; and

- Considered the Board Policy on Succession Planning of the Board.

(D) REMUNERATION COMMITTEE ("RC")

The RC was established on 17 June 2003. The composition of the RC is as follows:

- YBhg Datuk Manharlal A/L Ratilal (Chairman)
  (Appointed as RC Chairman with effect from 15 September 2023)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Cheong Soo Ching

The RC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

During the FY2023, two (2) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Datuk Dr Md Hamzah bin Md Kassim	2/2
Ms Cheong Soo Ching	2/2
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [(1)]	2/2

[(1)] *Retired as RC Chairman with effect from 21 June 2023*

YBhg Datuk Manharlal A/L Ratilal was appointed as RC Chairman after the close of FY2023 and as such, did not attend any of the RC meetings held during the FY2023.

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. INEDs of the Bank are paid fixed annual director fees, Board Committee fees and meeting allowance for each Board and Board Committee meeting attended. The remuneration of INEDs is recommended and endorsed by the Board for approval by the shareholders of the Bank at its AGM, and payable in cash to INEDs upon approval of the shareholders of the Bank.

The detailed remuneration of each Director during the FY2023 is as set out in Note 40 of the Audited Financial Statements in this Annual Report.

Remuneration Philosophy & Framework

Hong Leong Bank Group's (HLBG) remuneration strategy supports and promotes a high performance culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process that incorporates meritocracy in performance, HLB values, prudent risk-taking and key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

Overview of Remuneration Policy Framework

A. Philosophy

Remuneration philosophy hinges on:
- Our values and commitment to the employees of the Bank
- High performance culture
- Strong alignment between prudent risk taking and reward

B. Principles

Remuneration principles are based on 3 key principles:
- Oversight by Remuneration Committee & Board of Directors
- Prudent Risk Taking
- Governance Process for Bonus, Increment and Promotion (BIP)

C. Practices

Remuneration practices:
- Details how the remuneration principles will be achieved in practice
- Includes remuneration structures, design, implementation and workflow/procedures

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Guiding Principles

Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board, framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the CG disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

Principle 2 — Prudent Risk Taking

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

Principle 3 — Governance Process for Bonus, Increment and Promotion ("BIP")

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation. The Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.

Remuneration Practices

Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas (KRAs) in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values, which now includes a prompt under the Here For The Long Term value for employees to share their efforts in sustainability.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

Pay Mix Delivery and its Purpose

The overall Total Compensation for the GMD/CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

1. Fixed Pay (base pay and fixed cash allowances)

   Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Remuneration Practices (continued)

Pay Mix Delivery and its Purpose (continued)

2. Performance-based variable pay

   Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. A robust key performance indicators setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours of staff are minimised and sufficient control mechanisms are in place. Variable bonus awards for individuals in senior management position and in excess of certain thresholds will be deferred over a period of time.

3. Long term incentives

   In addition, the Bank also recognises and rewards individuals for their contributions towards the Bank's long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

   The clawback mechanism can be triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

   The variable portion of remuneration (both Performance-based variable pay and long-term incentives) increases along with the individual's level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystallize over a period of time, reinforces HLB's corporate and risk culture in promoting prudent risk taking behaviours.

4. Employee Benefits and Programmes

   Employee benefits (e.g. health screening, medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

Remuneration Disclosure

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023:

i) GMD/CEO

Name	Category	Cash (RM)	Shares (RM)	Total (RM)
Domenic Fuda *(Retired with effect from 30 June 2023)*	**Fixed remuneration**	2,641,200	-	**2,641,200**
	Variable remuneration			
	1. Non-deferred	22,460,625	-	**22,460,625**
	2. Deferred	-	2,553,741*	**2,553,741***

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Remuneration Practices (continued)

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023: (continued)

ii) Senior Management

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
Fixed Remuneration					
Cash-based	23	21,625,097		-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	23	12,939,728	1,635,805	2,315,525	1,363,006
Shares and share-linked instruments	20	-	1,537,393*	2,163,275*	3,542,201*
Other	-	-	-	-	-

Senior Management refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Bank and any person who assumes primary or significant responsibility for key control functions of the Bank.

iii) Material Risk Takers

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
Fixed Remuneration					
Cash-based	14	9,028,048		-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	14	3,682,095	328,982	522,803	334,208
Shares and share-linked instruments	7	-	292,215*	458,596*	290,841*
Other	-	-	-	-	-

Other material risk takers refers to an officer who is not a member of Senior Management Officers of the Bank and who can materially commit or control significant amounts of the Bank's resources or whose action are likely to have a significant impact on the Bank's risk profile.

*Note: * The value of share is based on the valuation used for MFRS2 Accounting.*

SECTION C. BOARD COMMITTEES (CONTINUED)

(E) BOARD INFORMATION AND TECHNOLOGY COMMITTEE ("BITC")

The BITC was established on 1 January 2020 to jointly support the Boards of Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.
2. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
3. Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology ("BNM RMiT Policy").

The composition of the BITC is as follows:

- Puan Fa'izah binti Mohamed Amin (Chairman)
  (Appointed as BITC Chairman with effect from 1 December 2022)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Lau Souk Huan
  (Redesignated as BITC member with effect from 1 December 2022)

The BITC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

During the FY2023, four (4) BITC meetings were held and the attendance of the BITC members was as follows:

Member	Attendance
Puan Fa'izah binti Mohamed Amin [(1)]	2/2
YBhg Datuk Dr Md Hamzah bin Md Kassim	4/4
Ms Lau Souk Huan	4/4
Ms Cheong Soo Ching[(2)]	2/2

(1) *Appointed as BITC Chairman with effect from 1 December 2022*
(2) *Resigned as BITC member with effect from 1 December 2022*

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023:

- Reviewed the IT Strategy and monitored the progress against management plan;
- Reviewed the IT Capital Budget and updates;
- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities;
- Deliberated on the digital disruption, IT innovation and ongoing development in digital trends in the financial services industry, and assessed impact, if any on the digital strategy of the Group;
- Reviewed the cyber security strategy/framework and progress update of the information security roadmap;
- Reviewed the progress update of key IT Projects;
- Reviewed the production incidents and trends;
- Reviewed the cyber security events and incidents;
- Reviewed the progress update of the information security enhancement plan;
- Reviewed the management of technology obsolescence risk;
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy;
- Reviewed and assessed IT-related policies/ guidelines;
- Reviewed the risk assessment on IT outsourcing and insourcing arrangements of the Group;
- Reviewed the audit findings identified by the Group Internal Audit Division and the External Auditors on IT-related matters and monitored the resolutions and action items in relation thereto;
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans;
- Reviewed the critical patch development activities for critical IT infrastructure;
- Reviewed the status of the compromise assessment initiative and results on Compromise Assessment on the Bank's IT infrastructure;
- Reviewed the Risk Appetite Statement of Technology Risk for the FY2022/2023;

SECTION C. BOARD COMMITTEES (CONTINUED)

(E) BITC (CONTINUED)

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023: (continued)

- Reviewed the assessment results on Performance Review of Critical Technology Service Providers;
- Assessed BNM Thematic Review 2022 against the Bank's position; and
- Reviewed the Bank's planned initiatives in alignment with BNM Financial Sector Blueprint 2022-2026.

SECTION D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Bank does not exceed 9 years. The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision making.

The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the F&P Policy of the Bank. Pursuant to the Tenure Policy, the tenure of an independent director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Bank. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

SECTION E. COMMITMENT

TThe Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

SECTION E. COMMITMENT (CONTINUED)

The Board met eight (8) times for the FY2023 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
Ms Lau Souk Huan	8/8
Ms Cheong Soo Ching	8/8
Puan Fa'izah binti Mohamed Amin (1)	7/7
Ms Chok Kwee Bee (2)	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (3)	7/7

(1) *Appointed as Director with effect from 1 September 2022*
(2) *Retired as Director with effect from 1 December 2022*
(3) *Retired as Director with effect from 21 June 2023*

YBhg Manharlal A/L Ratilal was appointed to the Board after the close of the FY2023 and as such, did not attend any of the Board meetings held during the FY2023.

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Bank have completed the Mandatory Accreditation Programme ("MAP") Part I. In line with the recent amendments to MMLR in relation to sustainability training for Directors, the Directors of the Bank will complete the MAP Part II within the prescribed timeframe.

The Bank regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Bank has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, sustainability, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2023, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Bank.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) - Global Islamic Finance Forum 2022
- Asia School of Business (ASB) - Leadership for Enterprise Sustainability Asia (LESA) 2023
- Baker McKenzie - The Crypto Ecosystem
- Baker McKenzie - Integrating crypto into established financial services – Funds and listings
- Baker McKenzie - A Deep Dive into NFTs
- Bank of Singapore - The Geopolitics Turmoil and its Impact on Family Offices with George Yeo, Former Singapore Minister of Foreign Affairs and Chairman of Kerry Logistics - Geopolitics - is the worst yet to come?
- BNM - Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022

SECTION E. COMMITMENT (CONTINUED)

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including: (continued)

- Bursa Malaysia - Presentation of PLC Transformation Guidebook 2 and sharing session by panellists covering their initiatives and viewpoints in embodying sustainability
- CERT - Kuala Lumpur Islamic Finance Forum (KLIFF) 2022 Muzakarah Penasihat Syariah Kewangan Islam Ke-15
- Emnes Events - 2nd Annual Islamic FinTech Leaders Summit
- FIDE Forum - Board Effectiveness Evaluation - Post-launch Workshop
- FIDE Forum - The Emerging Trends Threats and Risks to the Financial Services Industry: Managing Global Risk Investment and Payment System
- FIDE Forum - FIDE Forum Business Lunch Engagement
- FIDE Forum - Can America Stop China's Rise? Will ASEAN Be Damaged?
- HLB - The Heightened Legal & Regulatory Expectations on Sanctions
- HLB - Corporate Liability Provision on Corruption under the MACC Act 2009
- HLB - Environmental, Social and Governance Briefing
- HLCB - Anti-Money Laundering/Counter Financing of Terrorism & Targeted Financial Sanctions: Prevention, Detection & Collaboration in Fronting Compliance
- HLFG - Presentation on Insurtech by JP Morgan Securities Asia Pte Ltd
- HLFG - Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- ICDM - Bursa Malaysia Mandatory Accreditation Programme (MAP)
- ICDM - International Directors Summit 2022: The B Factor - [Bold + Brave] Boards
- ICLIF - The Financial Institutions Directors' Education (FIDE) Core Programme
- ICLIF - Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment
- ICLIF - Values as a Source of Competitive Advantage
- ICLIF - Corporate Governance & Remuneration Practices For The ESG World
- ICLIF - Risk Management Committee – Banking Sector
- ISRA - Islamic Finance for Board of Directors Programme
- PIDM-FIDE Forum - PIDM Industry Forum 2022: Recovery and Resolution Planning for Banks
- SC - Audit Oversight Board Conversation with Audit Committees: How the Audit Committees and Auditors can work together towards reliable audited financial statements
- Singapore Institute of Directors - Listed Entity Director Programme (LED): Environmental, Social and Governance Essentials (Core)

SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

OUR APPROACH TO CORPORATE GOVERNANCE

Nurturing a strong corporate governance culture encompasses not only the policies or processes that we already have in place but also training that is practical and based on everyday scenarios that can be applied in an employee's work. Our approach to corporate governance includes the following:

1 Code of Conduct & Ethics	2 Policies & Processes	3 Continuous Development
The HLBG Code of Conduct & Ethics ("CoCE") ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. The HLBG CoCE is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results	In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward	Continuously strengthening corporate governance through cumulative learning across all touchpoints: key learnings from Risk and Compliance Governance Meetings, feedback from customer complaint management channels, BUCO and BUCR meetings and bankwide/divisional learning for employees

Code of Conduct & Ethics

Employees are guided by HLB Group's values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in *(Here For The Long Term);* we treat people with respect and seek win-win solutions for all parties *(Collaborate To Win)*; we take ownership and make things happen *(Decisiveness)*. At the same time, employees are encouraged to embrace change and not be afraid to do things differently *(Innovation)* and celebrate new learning opportunities *(Have Fun).*

The Bank's values, together with the seven principles stated in the HLBG CoCE, is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.

Specifically, in upholding the value of "Here for the Long Term', the HLB Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in the HLBG CoCE.

The HLBG CoCE is applicable to:

- All employees who work in the HLB Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;
- Board of Directors of the HLB Group; and
- Any other persons permitted to perform duties or functions within the HLB Group – including but not limited to contractors, secondees, interns, industrial attachment and agency staff.

As the HLBG CoCE forms part of the terms and conditions of employment, our employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business, professional activities and personal lives, which might otherwise reflect poorly on the reputation of the HLB Group.

SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Code of Conduct & Ethic (continued)

Principles

There are seven key pillars to the HLBG CoCE:

Principle 1
Competence

The HLB Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviour to ensure that our activities are conducted professionally and proficiently.

Our employees must possess and maintain the skills and knowledge needed to perform their roles in accordance with the standards required by the HLB Group to meet its legal, compliance and regulatory obligations.

Principle 2
Compliance

The HLB Group operates in a highly regulated environment and our employees are responsible to ensure that they fully understand and comply with all applicable laws, regulations and regulatory requirements.

Principle 3
Integrity

The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group. The HLB Group relies on our employees to practice sound decision-making with integrity and take actions that will preserve our HLB Group's values.

Principle 4
Fairness

A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.

Principle 5
Confidentiality

The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.

Principle 6
Objectivity

Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendships or association in performing their role.

Employees are to exercise good judgment at all times and avoid any actions that would create an actual, perceived, or potential conflict of interest.

Principle 7
Work Environment

The HLB Group is committed to provide a safe and non-violent working environment and will remove any unacceptable behaviours from the workplace. The HLB Group will not tolerate any form of discrimination, harassment (including sexual harassment) or intimidation.

In addition, the HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment.

The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Policies & Processes

In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward. The policies are designed to create and cultivate a highly engaged workforce, focused on delivering strategic goals. This highly engaged workforce is expected to maintain high standards of responsibility, professional conduct and behaviour, and are able to be role models to other employees and industry peers.

Policy Name	Purpose
HLBG Code of Conduct & Ethics	The HLBG CoCE ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. All employees are required to attest to the CoCE on an annual basis.
Talent Management Board Policy	The Talent Management Policy aims to set out our talent management strategy in recruiting, developing, retaining talent and succession planning to support and drive the execution of the business strategy with the ambition to build an organization that builds talent to cater for our needs from within.
Learning & Development Management Policy	The Learning & Development ("L&D") Policy sets out principles that will govern the Bank's L&D strategy and execution plans. The aim is to cultivate a highly engaged workforce, focused on delivering strategic goals, maintain high standards of responsibility, professional conduct and behaviour, and are role models to other employees and industry peers.
Remuneration Board Policy	The Remuneration Policy aims to maintain a competitive remuneration strategy, enabling us to attract and retain talent and at the same time balance risk and performance outcomes, with an eye on prudent risk-taking.
Whistleblowing Policy	The Bank's Whistleblowing Policy provides a structured channel for all employees of the HLB Group and any other persons providing services to, or having a business relationship with the HLB Group, to report genuine concerns about any improper conducts or wrongful acts committed within the HLB Group. The Whistleblowing Policy is published on the Bank's Website.

Continuous Development

The Bank's efforts to continuously strengthen corporate governance is the result of cumulative efforts across every touchpoint. Key learnings from each Risk and Compliance Governance Committee (RCGC) meeting is summarized and circulated to all attendees, BUCRs (Business Unit Compliance Representative), BUCOs (Business Unit Compliance Officer) and respective business units to act upon. BUCOs meet with the L&D team in Human Resources on a monthly basis to review and request for any ad hoc compliance training requirements. Our online and offline customer touchpoints (on social media and via the feedback form on our website and via our branches and contact centre respectively) also serve to provide feedback directly. On learning, each division is responsible for their own content creation of key topics for their divisions, in addition to the compliance topics and videos available on Workday for huddles and the quarterly Mandatory eLearning. The seven pillars of the HLBG CoCE, consists of Competence, Compliance, Integrity, Fairness, Confidentiality, Objectivity and Work Environment, provide further guidance to our people and we ensure that we have the necessary development interventions to support each pillar.

SECTION G. ACCOUNTABILITY AND AUDIT

The Bank has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Bank's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I. FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BAC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

SECTION G. ACCOUNTABILITY AND AUDIT (CONTINUED)

II. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

The Statement on Risk Management and Internal Control as detailed under Section J of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III. RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BAC, which determines the remuneration of the external auditors. The BAC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BAC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the reappointment of the external auditors.

The Bank also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to non-audit services. Assessment will be conducted by the BAC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

During the financial year under review, the external auditors met with the BAC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BAC members at least twice a year without the presence of Executive Directors and management.

SECTION H. DISCLOSURE

The Bank has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Bank's Website after release to Bursa.

SECTION I. SHAREHOLDERS

I. DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Bank's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

Shareholders can access the Bank's Website for information such as the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/ briefings, financial information, products information and investor relations. The minutes of the AGM are published on the Bank's Website.

The Board has identified Ms Lau Souk Huan, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

GENERAL MANAGER, COMMUNICATION & CSR
Tel No. : 03-2081 8888 ext. 61914
Fax No. : 03-2081 7801
E-mail address: capr@hongleong.com.my

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS
Tel No. : 03-2081 2972
Fax No. : 03-2081 8924
E-mail address: IR@hlbb.hongleong.com.my

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

SECTION I. SHAREHOLDERS (CONTINUED)

II. AGM (CONTINUED)

8 out of 9 Directors of the Bank and the GMD/CEO attended the last AGM held on 27 October 2022 to engage with shareholders and address issues of concern raised by the shareholders.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the AGM held on 27 October 2022 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa. The Bank had adopted electronic voting for the conduct of poll on all resolutions at the AGM and provided e-lodgement channel for shareholders to lodge form of proxy electronically to the Bank.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I. INTRODUCTION

The Board recognises that the practice of good governance is an important mandate. The Board has established the BAC and the BRMC to ensure that the Bank maintains a sound system of internal controls and good risk management practices that foster good governance. The processes for assessments of risks and controls are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

II. BOARD RESPONSIBILITIES

TThe Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Bank's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Bank, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Bank is updated periodically to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Bank clearly defines the lines of accountability and responsibility. On-going risk assessment and evaluation are an integral part of the Bank's strategic planning cycle and are responsive to the business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Bank's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, and the understanding of procedures and controls, thus improving the overall control environment.

Operationally, the Bank establishes multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory compliance and operational risk units are set up in the various lines of business and in support departments. They oversee the day-to-day compliance to policies, regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas GC is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. At the third level, the Group Internal Audit division complements GRM and GC by monitoring and evaluating the effectiveness of internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management and compliance policies, process, governance and systems. The above is depicted in the following diagram:

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Business and Support Units	Group Risk Management Group Compliance	Group Internal Audit
Manage inherent risks and ensure compliance to policies and SOPs in day-to-day activities.	*Sets policies, reviews portfolio risks and provides oversight of risk management and compliance matters.*	*Independent assessment of adequacy and effectiveness of policies and processes.*

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management

Managing risks is an integral part of the Bank's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Bank's ability to achieve its strategy and strategic objectives.

Risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.

The Bank's risk management framework incorporates the components depicted in the diagram below:

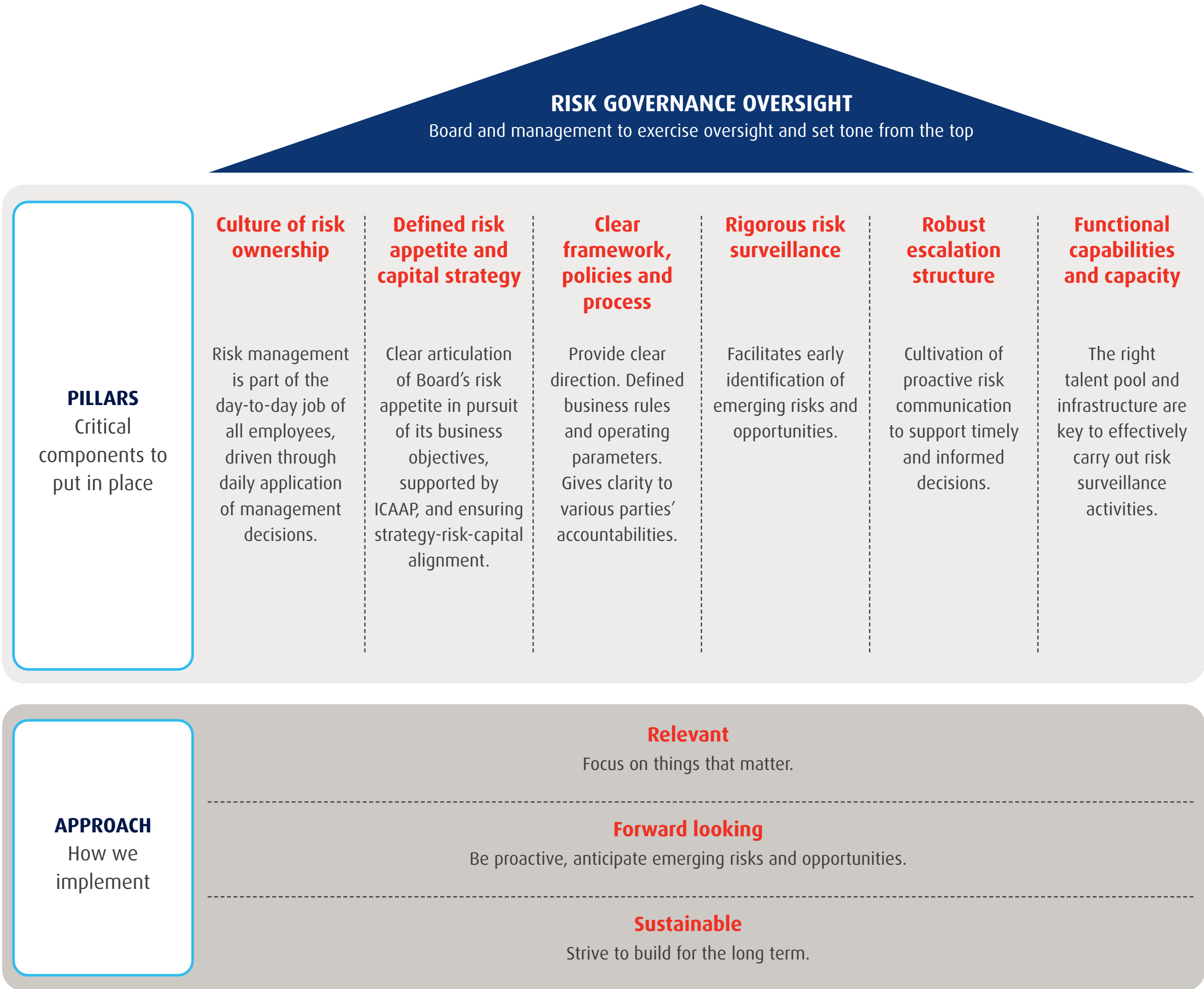


Figure 1: Risk Management Framework

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:

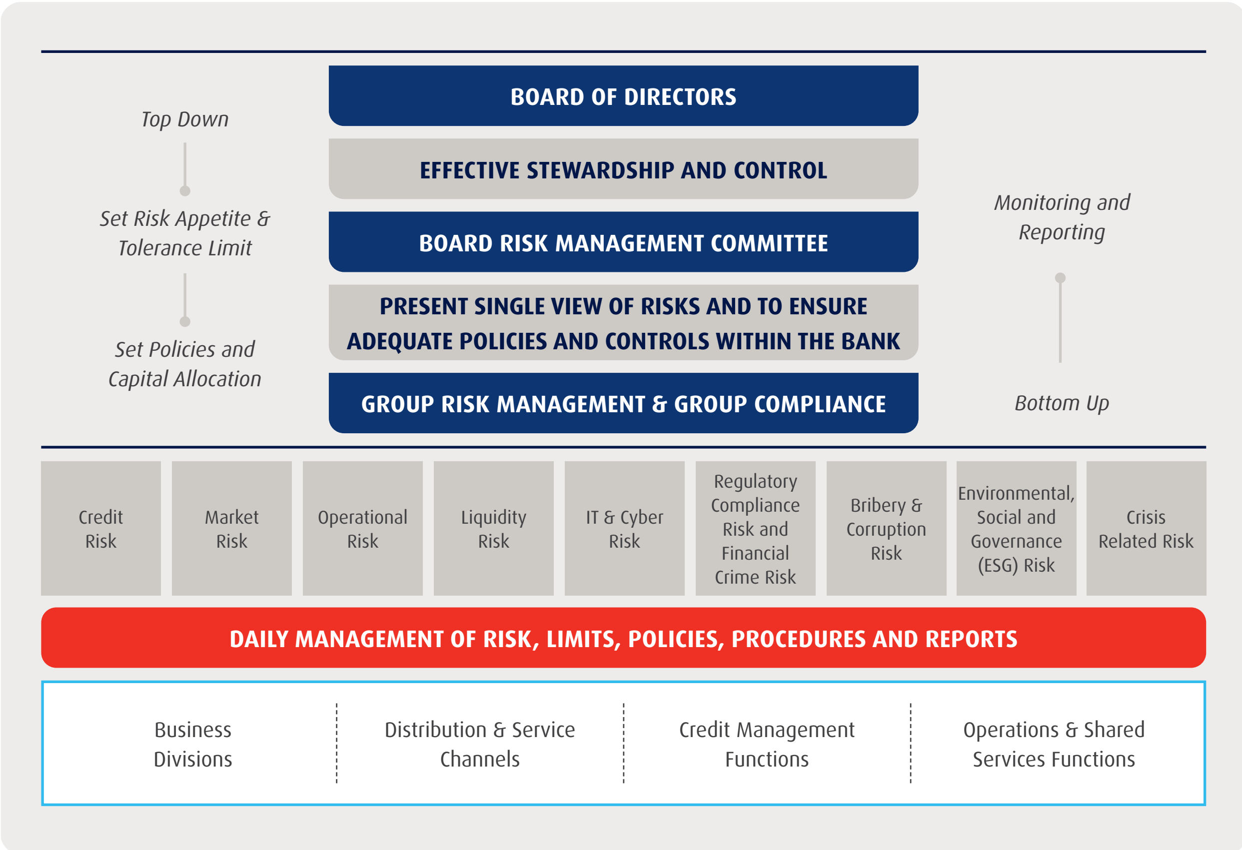


Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board sets the risk appetite and tolerance level, and allocates the Bank's capital that is consistent with the Bank's overall business objectives and desired risk profile. GRM monitors and reports the Bank's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance matters in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
CREDIT RISK Credit Risk arises as a result of customers or counterparties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due.	• The Bank has established a credit risk management framework (via the Board Policy on Credit Risk Governance) to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Financing activities are also guided by internal credit policies. The above policies are subject to reviews and enhancements, at least on an annual basis. • Credit portfolio strategies are developed to achieve a desired portfolio risk tolerance level and sector concentration distribution. • To assess the credit risk of retail customers, the Bank employs risk scoring models and lending templates that are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. • To assess the credit risk of small and medium enterprise, commercial and corporate customers, they are evaluated based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered; and are assigned with a credit rating. • The Bank has a comprehensive credit approving process. While the business units are responsible for credit origination, the credit decisioning function rests mainly with the Credit Evaluation Departments, the Management Credit Committee ("MCC") and the Credit Supervisory Committee. The Board delegates the approving and discretionary authority to the MCC and various personnel based on job function and designation. • For any new products/product variation, credit risk assessment also forms part of the new product/product variation sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to their introduction. • Credit risk reports are presented to the relevant Management and Board level committees. Such reports identify adverse credit trends and asset quality to enable the Bank to take prompt corrective actions and/or take appropriate risk-adjusted decisions. • GRM conducts independent credit reviews on a portfolio basis, which cover the Personal Financial Services, Business and Corporate Banking, Global Markets, Financial Institution's portfolios and portfolios of overseas subsidiaries and branches, providing an independent and where appropriate, countervailing perspective on credit risk management issues including business performance, credit decisions, overall assets quality and credit operations robustness. • In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
OPERATIONAL RISK Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.	• Management oversight on Operational Risk Management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC. • The Bank's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring. • The Bank adopts ORM tools such as loss event reporting, risk and control self-assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls.
MARKET RISK Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.	• Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Bank is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Bank. • Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board. • Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
LIQUIDITY RISK Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets, inability to liquidate assets in a timely manner and/or inability to meet financial obligations as they fall due.	• The Bank adopts a prudent liquidity management approach that includes establishing comprehensive policies and procedures, implementation of risk controls which are supported by periodic reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board. • The Bank seeks to manage liquidity to ensure that our obligations will continue to be honored under normal as well as adverse circumstances. The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow. • The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The funding strategy is anchored on the strength of our core deposit franchise. The Bank also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there are any potential vulnerabilities identified during the stress test exercise.
IT & CYBER RISK Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.	• New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation. • The Bank performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested. • In addition to continuously improving the Bank's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Bank's situational awareness. • Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee ("ITSC") and Information Security Governance Council ("ISGC") whilst Board oversight is effected through the BITC.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
REGULATORY COMPLIANCE RISK Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.	• The Bank undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Bank is in compliance. • The Bank participates in providing feedback to the regulators and industry through consultation papers and exposure drafts on policy documents and enhancement activities.
FINANCIAL CRIME RISK Financial Crime Risk is the risk of legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions requirements.	• In mitigating the risk of financial crime, the Bank undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. The Bank leverages on digital automated transactions monitoring and onboarding solutions to strengthen our capabilities in detection, monitoring and reporting of potential suspicious activities. • The Bank continuously maintains robust controls as a gatekeeper to the financial system against Money Laundering, Terrorist Financing and Proliferation Financing risks. • Management oversight on financial crime matters is effected through the Management level Financial Crime Governance Committee ("FCGC"), whilst Board oversight is effected through the BRMC.
BRIBERY AND CORRUPTION RISK Bribery and Corruption Risk is the risk of offering, paying or receiving a bribe through an officer, employee, subsidiary, intermediary or any third party (individual or corporate) acting on the Bank's behalf.	• The Bank ensures that the Management team conducts bribery and corruption risk assessment of the overall Bank's operations periodically to identify, analyse, assess and prioritise actions needed to mitigate internal and external bribery and corruption risks. • Management also reviews risk assessment reports, consider improvements to the Bank's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery risks. • The Anti-Bribery and Corruption ("ABC") policy is communicated to all our employees, who are required to undergo mandatory training and assessment on completion of training in the subject matter. • Clauses relating to ABC have also been incorporated in written agreements to ensure that suppliers to the Bank understand their obligations and abide by the relevant laws and regulations. There is continuous reinforcement of communications to our suppliers on our expectations in relation to ABC. • Board oversight of bribery and corruption risk is effected through the BRMC and BAC. The Bank has a Whistleblowing Policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK Environmental, Social and Governance (ESG) Risk is the adverse impacts of material "Environmental", "Social" and "Governance" risks that could subsequently translate to financial risks and potential losses that could affect the business operations and stability of the Bank. The 'Environmental' factor considers organisational safeguards for the environment, including corporate policies addressing climate change. The 'Social' factor examines how we manage relationships with employees, suppliers, customers and our communities. The 'Governance' factor relates to the stewardship of the organization by its leadership, discharge of the Board and Management's accountabilities in accordance to ethical business practices, and implementation of good internal control frameworks.	• The Bank has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/financing. These include assessments to screen for and review environmental and social risks, financial evaluation of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system. • The Bank has credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance. • The Bank manages its environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy. • The Bank has an independent Tender Review Committee that assesses diligence reviews of suppliers across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices. • Management oversight on sustainability matters is effected through the Management level Sustainability Committee ("SC"), whilst Board oversight is effected through the BRMC.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
CRISIS RELATED RISK Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.	• The Bank has a strategic plan in place to ensure that its operations and services remain fully operational in the event of a crisis. • The Bank remains cognizant of the need to continuously build and maintain resilience, through close and proactive monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests preparedness to navigate through crisis conditions, while challenging and refining its Business Continuity Management ("BCM") plans and processes based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises. • In managing credit risk exposures, the Bank regularly conducts stress tests which incorporate consideration for permutations arising from the pandemic. This is done to assess potential vulnerabilities and provide a forward looking view on areas of potential vulnerabilities given the current operating environment.

(b) Basel II and III

The Bank places great importance on Basel II and III and views Basel II and III as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market, operational and liquidity risk management practices. By adopting Basel II and III, the Bank is able and will continue to enhance and embed sound risk management practices within the Bank and be equipped with the right risk management discipline, practices, processes and systems.

For Basel II Pillar 1, the Bank is in compliance with the regulatory standards and is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Bank's Board Policy on Internal Capital Adequacy Assessment Process ("ICAAP") forms an integrated approach to manage the Bank's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Bank has provided the disclosures under a separate Pillar 3 section in this Annual Report.

For Basel III, the Bank is in compliance with the regulatory requirements and will continuously strengthen its capital and liquidity profile in all the countries that the Bank operates in, to ensure sufficient capital and liquidity is maintained to allow for business growth and sound capital / liquidity buffer management.

(c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the Bank. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in the BNM RMIT Policy) of the Bank to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the GMD/CEO,

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(c) Internal Audit (continued)

whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.
- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the GMD/CEO, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank.

Based on the assurance it has received from Management, the Board is of the view that the Bank's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Bank.

SECTION K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the Directors to prepare a statement explaining the board of directors' responsibility for preparing the annual audited financial statements and the Companies Act 2016 requires the directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FY2023, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that the relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management and Internal Control is made in accordance with the resolution of the Board.

Directors' Report

for the financial year ended 30 June 2023

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic Banking services. Other subsidiary companies are primarily engaged in property investment and management, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 13 to the financial statements.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

For the financial year under review, recovery in the Malaysian economy continued to gain traction, spearheaded by a combination of improving domestic demand and better external conditions, further augmented by a low base effect in 2022. Consumer spending continued to benefit from pent-up demand albeit at a lesser extent, with improving labour market condition and steady wage growth serving as an added impetus to private consumption. Improvement in economic growth for the financial year under review was also driven by increased tourism activities, where positive effects were seen spilling over to the wholesale & retail, hotels, restaurants and other services. Private consumption growth jumped more than five-fold to 11.3% y-o-y in 2022 while both public and private investment saw commendable pick-up. Value-added of all key sectors registered quicker expansion, except manufacturing which was still reeling from some supply disruption in the first half of the financial year under review.

Keeping close to our brand promise of "Built Around You", where customers are at the centre of everything we do, the Bank continuously strive to develop and tailor our banking solutions to our customers with the objective of optimising customer experience. We place utmost priority in managing our credit and liquidity risks and remain steadfast in navigating the ongoing business disruptions to ensure banking and financing services requirements of individuals and businesses are met. Amidst the challenging operating environment, we maintained discipline in our investments and expenditure which allows us to invest in new growth opportunities and continue delivering sustainable returns to our stakeholders. In line with our carbon neutral ambition, the Bank remain committed in promoting and integrating environmental, social and governance ("ESG") practices internally within our own business operations and engage proactively with all our external stakeholders to ensure that they equally emphasise ESG in their strategies and business operations.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

Overall macro outlook remains uncertain and challenging going forward against a backdrop of moderating and uneven global growth prospects. Aftermath of the ongoing geo-political tensions, lagged impact of earlier monetary policy tightening, adverse impact of higher inflation on real consumption, slower than expected recovery in the China economy, would continue posing downside risks to 2023 outlook. On a near to peak unprecedented rate hikes, we are hopeful that the near-conclusion of monetary policy tightening and further resumption of tourism activities will augur well with overall global growth prospects.

In tandem with slower growth in the world economy, the Malaysian economy is expected to expand at a more moderate pace of 4-5% in 2023, as resilient domestic demand is expected to help cushion the softer external condition. Notably, private consumption will remain the main growth pillar, with added support from further recovery in investment activities and tourism related spending.

In line with this, we will remain focus in executing our strategic priorities, where we continuously innovate and emphasise on building products and services propositions that ring true to our brand promise of "Built Around You". As we progress in our journey to be a highly digital and innovative ASEAN financial services institution, we strive to transform customer journeys, build world-class digital capabilities and continue to support and enable our employees to develop to their greatest potential. Our commitment to help mitigate climate change continues as we incorporate sustainability action and policies into our daily operations and strategic priorities, to create positive impact across our customers, communities and environment.

PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

CREDIT INFORMATION RATING

During the year, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term and short-term ratings, underpinned by our established domestic retail and SME franchises, robust asset quality and strong capitalisation. Moody's Investors Services Ltd has also reaffirmed the Bank's long-term rating at A3 and short-term rating at P2, with a stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	30 August 2023	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	25 August 2023	Long-Term Rating: A3 Short-Term Rating: P2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	4,626,631	2,728,859
Taxation	(808,435)	(651,823)
Net profit for the financial year	3,818,196	2,077,036

Directors' Report

for the financial year ended 30 June 2023

DIVIDENDS

Since the last financial year ended 30 June 2022, a final single tier dividend of 37.0 sen per share amounting to RM757,931,779 in respect of the financial year ended 30 June 2022, was paid on 17 November 2022.

An interim single tier dividend for the financial year ended 30 June 2023 of 21.0 sen per share amounting to RM430,294,305 was paid on 28 March 2023.

The Directors have declared a final single tier dividend of 38.0 sen per share in respect of the financial year ended 30 June 2023. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2024.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 54 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new ordinary shares or debentures issued during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The Directors of the Bank who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director)
Ms Lau Souk Huan	(Independent Non-Executive Director)
Ms Cheong Soo Ching	(Independent Non-Executive Director)
Puan Fa'izah binti Mohamed Amin (Appointed with effect from 1 September 2022)	(Independent Non-Executive Director)
YBhg Datuk Manharlal A/L Ratilal (Appointed with effect from 15 September 2023)	(Independent Non-Executive Director)
Ms Chok Kwee Bee (Retired with effect from 1 December 2022)	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Retired with effect from 21 June 2023)	(Independent Non-Executive Director)

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

Encik Alan Hamzah Sendut
Puan Rowina Ghazali Seth
Mr Tang Hong Cheong
Mr Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh
Ms Han Chin May
Mr Quek Kon Sean
Mr Matthew Nicholas Rendall
Mr Tan Khee Meng
Mr Lawrence Peh Yeow Beng
Mr John Hing Vong
Mr Duong Duc Hung
Ms Stella Lo Sze Man
Ms Chan Lap Yuen
Mr Domenico Fuda (Retired with effect from 30 June 2023)

Directors' Report
for the financial year ended 30 June 2023

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Bank and its subsidiaries for the financial year are as follows:

	The Group RM'000	The Bank RM'000
Directors of the Bank		
Director fees	1,581	1,388
Directors' other emoluments	212	180
Directors of the Bank's Subsidiaries		
Director fees	910	-
Directors' other emoluments	3,088	-

There was no amount paid to or receivable by any third party for services provided by Directors of the Bank and its subsidiaries.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the holding company was RM71,250 (2022: RM84,550) and the apportioned amount of the said premium paid by the Group and the Bank was RM60,561 (2022: RM70,405) and RM51,376 (2022: RM58,435) respectively.

Details of Directors' remuneration are set out in Note 40 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

	Directors' direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/ nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****/ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2022	Acquired	Sold	As at 30.06.2023
Interests of YBhg Tan Sri Quek Leng Chan in:				
Hong Leong Company (Malaysia) Berhad	390,000	-	-	390,000
Hong Leong Financial Group Berhad	5,438,664	-	-	5,438,664
Interests of Mr Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	250,245*****	-	(125,123)*****(5)	125,122*****
	125,123	125,123(5)	-	250,246
Interests of Mr Kwek Leng Hai in:				
Hong Leong Company (Malaysia) Berhad	420,500	-	-	420,500
Hong Leong Industries Berhad	190,000	-	-	190,000
Hong Leong Financial Group Berhad	2,526,000	-	-	2,526,000
Hong Leong Bank Berhad	5,510,000	-	-	5,510,000
Hume Cement Industries Berhad	205,200	-	-	205,200
	73,900(6)	-	-	73,900(6)
Malaysian Pacific Industries Berhad	71,250	-	-	71,250

DIRECTORS' INTERESTS (CONTINUED)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****/ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2022	Acquired	Sold	As at 30.06.2023
Interests of YBhg Tan Sri Quek Leng Chan in:				
Hong Leong Company (Malaysia) Berhad	7,651,455(1)	-	-	7,651,455(1)
Hong Leong Financial Group Berhad	894,714,726(1)	-	-	894,714,726(1)
Hong Leong Capital Berhad	173,805,058	-	-	173,805,058
Hong Leong Bank Berhad	1,346,027,209	-	-	1,346,027,209
	800,000,000***	-	(400,000,000)***	400,000,000***
	1,500,000,000****	100,000,000****	(500,000,000)****	1,100,000,000****
Hong Leong MSIG Takaful Berhad	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad	400,000,000***	400,000,000***	(400,000,000)***	400,000,000***
	400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	242,700,470(1)	21,000	-	242,721,470(1)
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872
Malaysian Pacific Industries Berhad	116,205,192	-	(16,667)	116,188,525
Carter Resources Sdn Bhd	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	84,000,000	-	-	84,000,000
	22,400(2)	-	-	22,400(2)
Hume Cement Industries Berhad	353,486,658(1)	8,040,000(3)	(9,965,000)	352,701,658(1)
		1,140,000(1)(4)	-	
	197,043,175**(1)	-	(4,020,000)**	193,023,175**(1)
	1,140,000*(1)	-	(1,140,000)*(1)(4)	-
Southern Steel Berhad	417,246,046	-	-	417,246,046
Southern Pipe Industry (Malaysia) Sdn Bhd	124,964,153	560,320	-	125,524,473

Notes:

(1) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member

(2) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

(3) Inclusive of new ordinary shares acquired arising from the conversion of redeemable convertible unsecured loan stocks

(4) Exercise of share options

(5) Vesting of grant shares

(6) 5-Year 5% Redeemable Convertible Unsecured Loan Stocks

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

> YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Scheme.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2023 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2023.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

Directors' Report

for the financial year ended 30 June 2023

EXECUTIVE SHARE SCHEME

The Bank has concurrently implemented two (2) Executive Share Schemes during the financial year ended 30 June 2023.

(a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

(i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

(ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and had expired on 11 March 2023.

At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

(i) Status on ESOS 2013

There were no share options granted under the ESOS 2013 of the Bank during the financial year ended 30 June 2023.

As at the expiry date of 11 March 2023, a total of 61,082,657 share options had been granted under the ESOS 2013, out of which 837,504 share options had been exercised, with no share options remain outstanding. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS 2013 amounted to 19,326,399, none of which were exercised and remain outstanding.

Since the commencement of the ESOS 2013, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the Schemes Aggregate Maximum Allocation.

As at 11 March 2023, the actual percentage of total share options granted to Directors and senior management of the HLB Group under the ESOS 2013 was 2.37% of the total number of issued shares (excluding treasury shares) of the Bank.

(ii) Status on ESGS 2013

There were no grants granted under the ESGS 2013 of the Bank during the financial year ended 30 June 2023.

As at the expiry date of 11 March 2023, a total of 3,058,503 grants had been granted under the ESGS 2013, out of which 2,603,865 grants had been vested, with 430,786 grants remain outstanding. The aggregate grants granted to Directors and chief executives of the HLB Group under the ESGS 2013 amounted to 2,066,828, out of which 1,882,534 grants had been vested, with 184,294 grants remain outstanding.

EXECUTIVE SHARE SCHEME (CONTINUED)

(a) Executive Share Scheme 2013 ("ESS 2013") (continued)

(ii) Status on ESGS 2013 (continued)

The remaining 430,786 grants granted under the ESGS 2013, including the 184,294 grants granted to Directors and chief executives of the HLB Group, were transferred to the Executive Share Scheme 2022 of the Bank ("ESS 2022") upon expiry of the ESGS 2013 on 11 March 2023 and would be administered and vested to the eligible executives under the ESGS 2022.

Since the commencement of the ESGS 2013, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the Schemes Aggregate Maximum Allocation.

As at 30 June 2023, the actual percentage of total grants granted to Directors and senior management of the HLB Group under the ESGS 2013 was 0.13% of the total number of issued shares (excluding treasury shares) of the Bank.

(b) Executive Share Scheme 2022 ("ESS 2022")

The Bank had on 10 March 2022 established the ESS 2022, which comprises a new executive share option scheme ("ESOS 2022") and a new executive share grant scheme ("ESGS 2022") for the eligible executives and/or directors of HLB and its subsidiaries (Group) (such executive and directors, "Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of HLB.

The ESS 2022 will enable the Bank to align the long-term interests of Eligible Executives with those of the shareholders of the Bank, as well as to motivate and reward them.

(i) Status on ESOS 2022

There were no share options granted under the ESOS 2022 of the Bank during the financial year ended 30 June 2023 and since the commencement of the ESOS 2022.

(ii) Status on ESGS 2022

The Bank had granted 248,552 grants under the ESS 2022 of the Bank during the financial year ended 30 June 2023.

As at 30 June 2023, a total of 501,968 grants had been granted under the ESS 2022, out of which 125,445 grants had been vested, with 373,997 grants remain outstanding. The aggregate grants granted to Directors and chief executives of the HLB Group under the ESS 2022 amounted to 235,384, out of which 55,888 grants had been vested, with 179,496 grants remain outstanding.

In addition, 430,786 grants granted under the ESGS 2013, including 184,294 grants granted to Directors and chief executives of the HLB Group, were transferred to the ESGS 2022 upon expiry of the ESGS 2013 on 11 March 2023 and would be administered and vested to the eligible executives under the ESGS 2022.

As at 30 June 2023, the actual percentage of total grants granted to the Directors and senior management of HLB Group under the ESS 2022 was 0.02% of the total number of issued shares (excluding treasury shares) of the Bank and the actual percentage granted to the Directors and senior management of the HLB Group during the financial year ended 30 June 2023 was 0.01% of the issued shares (excluding treasury shares) of the Bank.

Directors' Report

for the financial year ended 30 June 2023

EXECUTIVE SHARE SCHEME (CONTINUED)

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESS, refer to Note 55 to the financial statements on Equity Compensation Benefits.

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

(I) As at the end of the financial year

(a) Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

(b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

(a) The Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and

(iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

(b) In the opinion of the Directors:

(i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2023 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (CONTINUED)

(III) As at the date of this report

(a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.

(b) There are no contingent liabilities which had arisen since the end of the financial year.

(c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading.

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking activity is subject to compliance with Shariah governance guided by the Shariah Committee consisting of 5 members, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and approved by BNM.

The primary role of the Shariah Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Bank are RM4,819,000 (2022: RM3,750,000) and RM3,970,000 (2022: RM3,227,000) respectively. Details of auditors' remuneration are set out in Note 36 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 19 September 2023. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Lau Souk Huan

Kuala Lumpur
19 September 2023

Statements of Financial Position

as at 30 June 2023

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Cash and short-term funds	3	**8,206,803**	6,094,729	**6,362,228**	5,455,788
Deposits and placements with banks and other financial institutions	4	**436,877**	842,506	**1,343,553**	2,614,335
Financial assets at fair value through profit or loss	5	**5,654,937**	7,244,482	**4,916,952**	6,940,762
Financial investments at fair value through other comprehensive income	6	**33,886,670**	26,196,303	**30,109,200**	22,416,521
Financial investments at amortised cost	7	**31,194,065**	32,358,414	**22,201,564**	23,144,545
Loans, advances and financing	8	**179,902,847**	166,487,621	**135,092,761**	126,745,536
Other assets	9	**2,454,415**	2,280,742	**2,398,503**	1,781,555
Derivative financial instruments	10	**2,168,424**	1,863,300	**2,071,669**	1,776,371
Amount due from subsidiaries	11	**-**	-	**143,862**	91,110
Statutory deposits with Central Banks	12	**3,396,920**	520,650	**2,509,021**	272,138
Subsidiary companies	13	**-**	-	**2,655,317**	2,625,696
Investment in associated companies	14	**8,712,976**	6,455,474	**2,087,699**	971,182
Property and equipment	15	**1,055,391**	1,110,606	**488,040**	527,989
Intangible assets	16	**362,435**	304,749	**326,216**	269,645
Right-of-use assets	17	**175,946**	211,718	**261,308**	321,446
Goodwill	18	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	19	**410,436**	528,771	**317,985**	403,666
Total assets		**279,850,454**	254,331,377	**215,057,425**	198,129,832
Liabilities					
Deposits from customers	20	**211,651,819**	197,292,459	**162,732,948**	155,007,304
Investment accounts of customers	21	**2,250,513**	2,668,408	**-**	-
Deposits and placements of banks and other financial institutions	22	**9,593,826**	6,322,250	**8,269,491**	5,175,420
Obligations on securities sold under repurchase agreements		**7,399,583**	3,971,304	**7,399,583**	3,971,304
Bills and acceptances payable		**211,431**	241,361	**155,202**	153,419
Lease liabilities	23	**178,928**	210,981	**269,713**	325,365
Other liabilities	24	**5,946,050**	5,750,350	**5,566,750**	5,392,859
Derivative financial instruments	10	**2,387,886**	1,736,838	**2,301,936**	1,711,745
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	25	**2,972,220**	1,623,937	**1,514,646**	502,798
Tier 2 subordinated bonds	26	**1,501,750**	1,502,206	**1,501,750**	1,502,206
Multi-currency Additional Tier 1 capital securities	27	**1,719,509**	1,715,695	**1,719,509**	1,715,695
Provision for taxation		**50,287**	306,612	**39,545**	272,986
Total liabilities		**245,863,802**	223,342,401	**191,471,073**	175,731,101
Equity					
Share capital	28	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	29	**26,956,355**	23,963,603	**16,556,055**	15,373,358
Less: Treasury shares	30	**(708,766)**	(713,690)	**(708,766)**	(713,690)
Total equity		**33,986,652**	30,988,976	**23,586,352**	22,398,731
Total equity and liabilities		**279,850,454**	254,331,377	**215,057,425**	198,129,832
Commitments and contingencies	45	**260,170,634**	208,116,971	**246,285,659**	194,469,898

The accompanying notes form an integral part of the financial statements

Statements of Income

for the financial year ended 30 June 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
Interest income	31a	**7,370,454**	5,505,696	**7,115,026**	5,303,193
Interest income for financial assets at fair value through profit or loss	31b	**160,370**	217,168	**160,370**	217,168
Interest expense	32	**(3,846,739)**	(1,967,533)	**(3,727,577)**	(1,893,157)
Net interest income		**3,684,085**	3,755,331	**3,547,819**	3,627,204
Income from Islamic Banking business	33	**963,368**	904,785	**-**	-
		4,647,453	4,660,116	**3,547,819**	3,627,204
Non-interest income	35	**1,038,056**	937,292	**1,020,599**	1,278,446
Net income		**5,685,509**	5,597,408	**4,568,418**	4,905,650
Overhead expenses	36	**(2,233,282)**	(2,098,376)	**(1,854,063)**	(1,756,729)
Operating profit before allowances		**3,452,227**	3,499,032	**2,714,355**	3,148,921
(Allowance for)/written back of impairment losses on loans, advances and financing	37	**(115,382)**	(163,574)	**11,536**	46,956
Written back of impairment losses on financial investments and other assets	38	**306**	851	**2,968**	391
		3,337,151	3,336,309	**2,728,859**	3,196,268
Share of results of associated companies	14	**1,289,480**	1,030,491	**-**	-
Profit before taxation		**4,626,631**	4,366,800	**2,728,859**	3,196,268
Taxation	41	**(808,435)**	(1,077,517)	**(651,823)**	(984,341)
Net profit for the financial year		**3,818,196**	3,289,283	**2,077,036**	2,211,927
Attributable to:					
Owners of the parent		**3,818,196**	3,289,283	**2,077,036**	2,211,927
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	42	**186.4**	160.6	**101.4**	108.0
- diluted	42	**186.3**	160.5	**101.3**	107.9

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

for the financial year ended 30 June 2023

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net profit for the financial year		**3,818,196**	3,289,283	**2,077,036**	2,211,927
Other comprehensive income/(loss) in respect of:					
(i) Item that will not be reclassified to profit or loss:					
Equity instruments at fair value through other comprehensive income					
- Net fair value changes		**14,264**	14,286	**14,264**	14,286
(ii) Items that may be reclassified subsequently to profit or loss:					
(a) Share of other comprehensive loss of associated company		**(15,045)**	(16,743)	**-**	-
(b) Currency translation differences		**62,380**	227,635	**105,538**	43,324
(c) Debt instruments at fair value through other comprehensive income					
- Net fair value changes	43	**406,406**	(1,161,549)	**257,468**	(1,010,494)
- Changes in expected credit losses	43	**285**	(537)	**283**	(542)
(d) Net fair value changes in cash flow hedge	43	**362**	7,574	**362**	7,574
Income tax relating to components of other comprehensive (income)/loss	43	**(88,321)**	252,023	**(66,479)**	215,860
Other comprehensive income/(loss) for the financial year, net of tax		**380,331**	(677,311)	**311,436**	(729,992)
Total comprehensive income for the financial year		**4,198,527**	2,611,972	**2,388,472**	1,481,935
Attributable to:					
Owners of the parent		**4,198,527**	2,611,972	**2,388,472**	1,481,935

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2023

		Attributable to owners of the parent					
The Group	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves ^ RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 July 2022		**7,739,063**	**(713,690)**	**654,386**	**581,235**	**22,727,982**	**30,988,976**
Comprehensive income							
Net profit for the financial year		-	-	-	-	3,818,196	3,818,196
Share of other comprehensive loss of associated company		-	-	-	(15,045)	-	(15,045)
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,264	-	14,264
- Debt instruments	43						
- Net fair value changes		-	-	-	318,173	-	318,173
- Changes in expected credit losses		-	-	-	285	-	285
Net fair value changes in cash flow hedge	43	-	-	-	274	-	274
Currency translation differences		-	-	-	62,380	-	62,380
Total comprehensive income		-	-	-	380,331	3,818,196	4,198,527
Transactions with owners							
Transfer to regulatory reserve		-	-	347,675	-	(347,675)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2022	44	-	-	-	-	(757,932)	(757,932)
- interim dividend for the financial year ended 30 June 2023	44	-	-	-	-	(430,294)	(430,294)
ESS exercised		-	4,924	-	(12,350)	7,426	-
Option written back arising from ESS lapsed		-	-	-	(12,625)	-	(12,625)
Total transactions with owners		-	4,924	347,675	(24,975)	(1,528,475)	(1,200,851)
At 30 June 2023		7,739,063	(708,766)	1,002,061	936,591	25,017,703	33,986,652

* Treasury shares consist of two categories which are detailed in Note 30

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM990,816,000 (2022: RM643,141,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (2022: RM11,245,000)

Statements of Changes in Equity

for the financial year ended 30 June 2023

		Attributable to owners of the parent					
The Group	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves^ RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 July 2021		7,739,063	(719,030)	423,954	1,263,751	20,751,376	29,459,114
Comprehensive income							
Net profit for the financial year		-	-	-	-	3,289,283	3,289,283
Share of other comprehensive loss of associated company		-	-	-	(16,743)	-	(16,743)
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(907,709)	-	(907,709)
- Changes in expected credit losses		-	-	-	(537)	-	(537)
Net fair value changes in cash flow hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	227,635	-	227,635
Total comprehensive (loss)/income		-	-	-	(677,311)	3,289,283	2,611,972
Transactions with owners							
Transfer to regulatory reserve		-	-	230,432	-	(230,432)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2021	44	-	-	-	-	(721,238)	(721,238)
- interim dividend for the financial year ended 30 June 2022	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners		-	5,340	230,432	(5,205)	(1,312,677)	(1,082,110)
At 30 June 2022		7,739,063	(713,690)	654,386	581,235	22,727,982	30,988,976

* Treasury shares consist of two categories which are detailed in Note 30

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM643,141,000 (2021: RM412,709,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (2021: RM11,245,000)

Statements of Changes in Equity

for the financial year ended 30 June 2023

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserve RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 July 2022		7,739,063	(713,690)	536,432	(283,556)	15,120,482	22,398,731
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,077,036	2,077,036
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,264	-	14,264
- Debt instruments	43						
- Net fair value changes		-	-	-	191,077	-	191,077
- Changes in expected credit losses		-	-	-	283	-	283
Net fair value changes in cash flow hedge	43	-	-	-	274	-	274
Currency translation differences		-	-	-	105,538	-	105,538
Total comprehensive income		-	-	-	311,436	2,077,036	2,388,472
Transactions with owners							
Transfer to regulatory reserve		-	-	288,886	-	(288,886)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2022	44	-	-	-	-	(757,932)	(757,932)
- interim dividend for the financial year ended 30 June 2023	44	-	-	-	-	(430,294)	(430,294)
ESS exercised		-	4,924	-	(12,350)	7,426	-
Option written back arising from ESS lapsed		-	-	-	(12,625)	-	(12,625)
Total transactions with owners		-	4,924	288,886	(24,975)	(1,469,686)	(1,200,851)
At 30 June 2023		7,739,063	(708,766)	825,318	2,905	15,727,832	23,586,352

* Treasury shares consist of two categories which are detailed in Note 30

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2023

The Bank	Note	Non-distributable Share capital RM'000	Non-distributable Treasury shares* RM'000	Non-distributable Regulatory reserve RM'000	Non-distributable Other reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 July 2021		7,739,063	(719,030)	387,677	451,641	14,139,555	21,998,906
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,211,927	2,211,927
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(792,817)	-	(792,817)
- Changes in expected credit losses		-	-	-	(542)	-	(542)
Net fair value changes in cash flow hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	43,324	-	43,324
Total comprehensive (loss)/income		-	-	-	(729,992)	2,211,927	1,481,935
Transactions with owners							
Transfer to regulatory reserve		-	-	148,755	-	(148,755)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2021	44	-	-	-	-	(721,238)	(721,238)
- interim dividend for the financial year ended 30 June 2022	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners		-	5,340	148,755	(5,205)	(1,231,000)	(1,082,110)
At 30 June 2022		7,739,063	(713,690)	536,432	(283,556)	15,120,482	22,398,731

* Treasury shares consist of two categories which are detailed in Note 30

Statements of Cash Flows

for the financial year ended 30 June 2023

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before taxation	**4,626,631**	4,366,800	**2,728,859**	3,196,268
Adjustments for:				
Depreciation of property and equipment	**110,039**	121,499	**92,850**	103,137
Depreciation of right-of-use assets	**48,456**	50,119	**71,556**	73,875
Amortisation of intangible assets	**58,132**	53,962	**50,869**	48,107
Net gain on disposal of property and equipment	**(228)**	(1,552)	**(133)**	(1,455)
Share of results of associated companies	**(1,289,480)**	(1,030,491)	**-**	-
Property and equipment written off	**1,134**	722	**727**	629
Intangible assets written off	**2,607**	737	**2,606**	416
Amortisation of upfront fees	**(1,228)**	(946)	**(1,228)**	(946)
Net realised (gain)/loss on financial instruments:				
- financial assets at fair value through profit or loss	**(85,177)**	58,657	**(86,447)**	59,239
- derivatives financial instruments	**53,230**	(20,792)	**55,103**	(19,328)
- financial investments at fair value through other comprehensive income	**(34,943)**	(87,887)	**(34,943)**	(87,887)
Allowance for impairment losses on loans, advances and financing	**343,095**	393,506	**176,517**	151,453
Impaired loans, advances and financing written off	**29,519**	20,038	**22,962**	13,893
Modification loss on contractual cash flows arising from financial assets	**-**	45,416	**-**	27,472
Net unrealised loss/(gain) on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	**5,403**	(208,290)	**6,631**	(207,569)
- derivatives financial instruments	**(111,379)**	(100,366)	**(112,433)**	(99,238)
Net realised (gain)/loss on fair value changes arising from fair value hedges	**(8,265)**	7,489	**(8,265)**	7,489
Net (gain)/loss arising from fair value hedges	**(853)**	2,141	**(853)**	2,141
Written back of impairment losses on financial investments and other assets	**(306)**	(851)	**(2,968)**	(391)
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	**77,409**	44,702	**29,263**	15,450
- Tier 2 subordinated bonds	**66,958**	66,600	**66,958**	66,600
- Multi-currency Additional Tier 1 capital securities	**81,186**	46,315	**81,255**	46,481
- Lease liabilities	**8,737**	9,154	**13,251**	14,785

Statements of Cash Flows

for the financial year ended 30 June 2023

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income from:				
- financial investments at fair value through other comprehensive income	**(871,880)**	(669,165)	**(871,573)**	(672,355)
- financial investments at amortised cost	**(669,395)**	(619,506)	**(668,660)**	(618,725)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**(2,219)**	(56)
Dividend income from:				
- subsidiary company	**-**	-	**(330)**	(36,800)
- associated companies	**-**	-	**(5,992)**	(334,115)
- financial assets at fair value through profit or loss	**(88,826)**	(101,001)	**(89,277)**	(102,768)
- financial investments at fair value through other comprehensive income	**(2,175)**	(406)	**(2,175)**	(406)
Share option expenses	**(12,625)**	6,916	**(12,625)**	6,916
Operating profit before working capital changes	**2,335,776**	2,453,520	**1,499,286**	1,652,312
Decrease/(Increase) in operating assets				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**237,426**	(477,104)	**534,285**	(1,042,650)
Financial assets at fair value through profit or loss	**1,694,133**	1,068,766	**2,103,626**	1,248,789
Loans, advances and financing	**(13,789,491)**	(12,898,199)	**(8,548,355)**	(7,874,985)
Derivative financial instruments	**(547,176)**	(1,084,504)	**(500,604)**	(1,003,736)
Other assets	**(168,814)**	2,018	**(612,089)**	94,046
Amount due from subsidiaries	**-**	-	**(52,752)**	(75,240)
Statutory deposits with Central Banks	**(2,876,270)**	(27,045)	**(2,236,883)**	29,290
Increase/(Decrease) in operating liabilities				
Deposits from customers	**14,667,682**	14,362,994	**7,996,401**	10,992,100
Investment accounts of customers	**(417,895)**	1,523,254	**-**	-
Deposits and placements of banks and other financial institutions	**3,271,576**	(5,807,789)	**3,094,071**	(6,839,877)
Securities sold under repurchase agreements	**3,428,279**	3,228,554	**3,428,279**	3,228,554
Bills and acceptances payable	**(29,930)**	51,719	**1,783**	2,986
Derivative financial instruments	**651,354**	827,172	**590,497**	831,759
Other liabilities	**195,922**	373,781	**172,826**	308,347
Cash flows generated from operations	**8,652,572**	3,597,137	**7,470,371**	1,551,695
Taxation paid	**(1,030,371)**	(1,095,221)	**(859,773)**	(896,290)
Net cash generated from operating activities	**7,622,201**	2,501,916	**6,610,598**	655,405

Statements of Cash Flows

for the financial year ended 30 June 2023

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities				
Net (purchases of)/proceeds from financial investments at fair value through other comprehensive income	**(7,479,290)**	7,863,800	**(7,630,850)**	7,812,472
Net proceeds from/(purchases of) financial investments at amortised cost	**1,833,797**	(8,104,000)	**1,611,641**	(5,967,070)
Purchase of property and equipment	**(132,069)**	(115,678)	**(129,203)**	(109,898)
Net proceeds from sale of property and equipment	**377**	1,890	**161**	1,772
Purchase of intangible assets	**(37,156)**	(35,442)	**(30,773)**	(27,177)
Investment in subordinated facilities	**-**	-	**(27,402)**	(69,112)
Dividends received from:				
- subsidiary company	**-**	-	**330**	36,800
- associated company	**-**	-	**-**	268,591
- financial assets at fair value through profit or loss	**88,826**	101,001	**89,277**	102,768
- financial investments at fair value through other comprehensive income	**2,175**	406	**2,175**	406
Net cash (used in)/generated from investing activities	**(5,723,340)**	(288,023)	**(6,114,644)**	2,049,552

Statements of Cash Flows

for the financial year ended 30 June 2023

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from financing activities					
Dividends paid		**(1,188,226)**	(1,089,942)	**(1,188,226)**	(1,089,942)
Cash received from ESOS exercised		**-**	916	**-**	916
Repayment of Innovative Tier 1 capital securities		**(400,000)**	-	**(400,000)**	-
Repayment of Tier 2 subordinated loan		**(500,000)**	-	**(500,000)**	-
Repayment of lease liabilities		**(44,402)**	(44,321)	**(66,236)**	(65,272)
Repayment of recourse obligation on loans/financing sold to Cagamas		**(962,930)**	(64,174)	**(300,020)**	-
Proceeds from debt issuance:					
- Recourse obligation on loans/financing sold to Cagamas		**2,300,000**	650,000	**1,300,000**	200,000
- Tier 2 subordinated bonds		**500,000**	-	**500,000**	-
- Multi-currency Additional Tier 1 capital securities		**400,000**	900,000	**400,000**	900,000
Interest paid:					
- Recourse obligation on loans/financing sold to Cagamas		**(66,196)**	(40,430)	**(17,395)**	(13,224)
- Tier 2 subordinated bonds		**(66,533)**	(66,734)	**(66,533)**	(66,734)
- Multi-currency Additional Tier 1 capital securities		**(78,858)**	(39,346)	**(78,927)**	(39,512)
- Lease liabilities		**(8,737)**	(9,154)	**(13,251)**	(14,785)
Net cash (used in)/generated from financing activities		**(115,882)**	196,815	**(430,588)**	(188,553)
Net increase in cash and cash equivalents		**1,782,979**	2,410,708	**65,366**	2,516,404
Effects of exchange rate changes		**160,892**	96,466	**104,577**	42,044
Cash and cash equivalents at the beginning of financial year		**5,981,992**	3,474,818	**6,119,034**	3,560,586
Cash and cash equivalents at the end of financial year		**7,925,863**	5,981,992	**6,288,977**	6,119,034
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**8,206,803**	6,094,729	**6,362,228**	5,455,788
Deposits and placements with banks and other financial institutions	4	**436,877**	842,506	**1,343,553**	2,614,335
		8,643,680	6,937,235	**7,705,781**	8,070,123
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(717,817)**	(955,243)	**(1,416,804)**	(1,951,089)
		7,925,863	5,981,992	**6,288,977**	6,119,034

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2023

An analysis of changes in liabilities arising from financing activities is as follows:

The Group	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2023					
Balance at the beginning of the financial year	**1,623,937**	**1,502,206**	**1,715,695**	**210,981**	**5,052,819**
Proceeds from issuance	**2,300,000**	**500,000**	**400,000**	**-**	**3,200,000**
Repayment and redemption	**(962,930)**	**(500,000)**	**(400,000)**	**(44,402)**	**(1,907,332)**
Interest paid	**(66,196)**	**(66,533)**	**(78,858)**	**(8,737)**	**(220,324)**
Accrued interest	**77,409**	**66,958**	**81,186**	**8,737**	**234,290**
Amortisation	**-**	**(881)**	**(347)**	**-**	**(1,228)**
Other non-cash	**-**	**-**	**1,833**	**12,349**	**14,182**
Balance at the end of the financial year	**2,972,220**	**1,501,750**	**1,719,509**	**178,928**	**6,372,407**
2022					
Balance at the beginning of the financial year	1,033,839	1,502,340	806,390	209,761	3,552,330
Proceeds from issuance	650,000	-	900,000	-	1,550,000
Repayment and redemption	(64,174)	-	-	(44,321)	(108,495)
Interest paid	(40,430)	(66,734)	(39,346)	(9,154)	(155,664)
Accrued interest	44,702	66,600	46,315	9,154	166,771
Amortisation	-	-	(946)	-	(946)
Other non-cash	-	-	3,282	45,541	48,823
Balance at the end of the financial year	1,623,937	1,502,206	1,715,695	210,981	5,052,819

Statements of Cash Flows

for the financial year ended 30 June 2023

An analysis of changes in liabilities arising from financing activities is as follows: (continued)

The Bank	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2023					
Balance at the beginning of the financial year	**502,798**	**1,502,206**	**1,715,695**	**325,365**	**4,046,064**
Proceeds from issuance	**1,300,000**	**500,000**	**400,000**	**-**	**2,200,000**
Repayment and redemption	**(300,020)**	**(500,000)**	**(400,000)**	**(66,236)**	**(1,266,256)**
Interest paid	**(17,395)**	**(66,533)**	**(78,927)**	**(13,251)**	**(176,106)**
Accrued interest	**29,263**	**66,958**	**81,255**	**13,251**	**190,727**
Amortisation	**-**	**(881)**	**(347)**	**-**	**(1,228)**
Other non-cash	**-**	**-**	**1,833**	**10,584**	**12,417**
Balance at the end of the financial year	**1,514,646**	**1,501,750**	**1,719,509**	**269,713**	**5,005,618**
2022					
Balance at the beginning of the financial year	300,572	1,502,340	806,390	341,591	2,950,893
Proceeds from issuance	200,000	-	900,000	-	1,100,000
Repayment and redemption	-	-	-	(65,272)	(65,272)
Interest paid	(13,224)	(66,734)	(39,512)	(14,785)	(134,255)
Accrued interest	15,450	66,600	46,481	14,785	143,316
Amortisation	-	-	(946)	-	(946)
Other non-cash	-	-	3,282	49,046	52,328
Balance at the end of the financial year	502,798	1,502,206	1,715,695	325,365	4,046,064

Notes to the Financial Statements

for the financial year ended 30 June 2023

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments).

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenue and expenses during the reported financial year. 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 judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 57.

A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 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'

(i) Annual improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the '10% test').

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in the income statements.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank (continued)

(ii) Amendments to MFRS 3 'Business Combinations' - Reference to the Conceptual Framework

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 116 'Proceeds before Intended Use'

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in statements of income.

The amendments also clarify that 'testing' in MFRS 116 refers to assessing the technical and physical performance of the PPE rather than its financial performance.

The amendments shall be applied retrospectively.

(iv) Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

The adoption of the annual improvements and amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective

(i) Financial year beginning on/after 1 July 2023

* Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates - effective 1 January 2023

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

(i) Financial year beginning on/after 1 July 2023 (continued)

Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates (Amendments to MFRS 108)

The amendments to MFRS 108, redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

* Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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 Bank.

(ii) Financial year beginning on/after 1 July 2024

* Amendments to MFRS 101 'Classification of liabilities as current or non-current' ('2020 amendments') and 'Non-current Liabilities with Covenants' ('2022 amendments') – effective 1 January 2024

There are two amendments to MFRS 101 'Presentation of Financial Statements'. The 2020 amendments clarify that a liability is classified as non-current if an entity has the right to defer settlement for at least 12 months after the reporting period. Such a right exists when an entity complies with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within 12 months after that date.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2024 (continued)

The 2022 amendments were in response to concerns raised on applying the 2020 amendments explained in the preceding paragraph on the current vs non-current classification of liabilities with covenants that would have become effective for annual periods beginning on or after 2023. The 2022 amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 amendments is permitted but only if the 2020 amendments are also applied from the same date.

* Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' – effective 1 January 2024

The amendments specify that the measurement of the lease liability arises in a sale and leaseback transaction which satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

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 Bank.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

The Group applies the acquisition method to account for business combinations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(i) Subsidiaries (continued)

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of income.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses from such remeasurement are recognised in the statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statements of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

Gains and losses of the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(IV) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint venture' in the statements of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(IV) Joint arrangements (continued)

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

(V) Associated companies

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statements of income, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associated company' in the statements of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the statements of income.

(VI) Loss of joint control or significant influence

When the Group ceases to equity account its joint venture or associate because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

Notes to the Financial Statements

for the financial year ended 30 June 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(VII) Investments in subsidiaries and associated companies

In the Bank's separate financial statements, investments in subsidiaries and associated companies are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amount of investments are recognised in the statements of income.

Investments in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note D.

B Recognition of interest/profit income and interest/profit expense

Interest and financing income and expense for all interest/profit bearing financial instruments are recognised within interest income and interest expense and income from Islamic Banking business in the statements of income using the effective interest/profit method. Interest/profit income from financial assets at fair value through profit or loss is disclosed as separate line item in statements of income.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank take into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

Interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest/profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

C Recognition of fees and other income

The Group and the Bank earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group and the Bank have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

* Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on loans, advances and financing. These fees constitute a single performance obligation.

* For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Recognition of fees and other income (continued)

The Group and the Bank do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

b) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

D Financial assets

(i) Classification

The Group and the Bank have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(i) Classification (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Bank commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statements of income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Bank classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest/profit rate method. Any gain or loss arising on derecognition is recognised directly in statements of income as presented in net realised gain or loss on financial instruments. Impairment losses are presented as separate line item (as per Note 37 and Note 38) in the statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest/profit rate method. Foreign exchange gains and losses are presented in other income and impairment losses are presented as separate line item (as per Note 38) in the statements of income.

(c) Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group and the Bank may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. Fair value changes are recognised in statements of income and presented net within net unrealised gain or loss on revaluation in the period which it arises.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value through profit or loss, except where the management has elected, at initial recognition to irrevocably designate an equity instrument at fair value through other comprehensive income. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statements of income following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to statements of income, but is to be transferred to retained profits. Dividends from such investments continue to be recognised in statements of income as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity instruments designated as financial assets at fair value through profit or loss are recognised in net unrealised gain or loss on revaluation in the statements of income.

(iv) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

Notes to the Financial Statements

for the financial year ended 30 June 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(iv) Reclassification policy (continued)

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income. Financial liabilities are de-recognised when extinguished.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 9 'Financial Instruments' as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities on different basis.

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, financial liabilities are remeasured at amortised cost using the effective interest/profit rate.

Financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, lease liabilities, other financial liabilities, recourse obligation on loans/financing sold to Cagamas, Tier 2 subordinated bonds and Multi-currency additional Tier 1 capital securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

Leased assets presented under Property and equipment and Prepaid lease payments are right-of-use assets within the scope of MFRS 16. See Note H for the accounting policies on right-of-use assets.

G Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Intangible assets (continued)

(ii) Goodwill (continued)

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

H Leases

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group and the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank, and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest/profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Bank would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in the statements of income.

Short term leases and leases of low value assets

The Group and the Bank elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of income.

I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. The liabilities in relation to tax penalties or its associated interest are included within the taxation liability on the statements of financial position and charged to the tax expense in the statements of income as under provision of prior year tax.

Current income tax expense is determined according to the tax laws enacted or substantively enacted at the end of the reporting period of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences of unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liabilities is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax related to fair value remeasurement of financial instruments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 for fair value macro hedges on the adoption of MFRS 9 on 1 July 2018.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank have applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

* When considering the 'highly probable' requirement, the Group and the Bank have assumed that the IBOR interest rate on which the Group's and the Bank's hedged borrowings is based does not change as a result of IBOR reform.

* In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group and the Bank have assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.

* The Group and the Bank had recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

The Group and the Bank have applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

* Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

  a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

  b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

  c) amending the description of the hedging instrument.

The Group and the Bank amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Bank to discontinue its hedge relationships.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements. Movements on the hedging reserve in shareholders' equity are shown in Note 29.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in statements of income within other operating income. The gain or loss relating to the ineffective portion is recognised in statements of income within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to statements of income, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in statements of income within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in statements of income with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or transferred, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statements of income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

L Currency translations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences such as equity held at fair value through profit or loss and assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;

- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to statements of income. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to statements of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

M Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Employee benefits (continued)

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the statements of income in the financial period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase to share options reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

In accordance with MFRS 132 'Financial Instruments: Presentation', the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Bank transfers the Treasury shares for ESOS scheme to the ESOS holder. The Treasury shares and share options reserve would be adjusted against the retained earnings.

When the options are exercised, the Bank may also issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

When options are not exercised and lapsed, the share options reserve is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets

The Group and the Bank assess on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

The Group and the Bank have adopted the general approach for ECL.

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach

ECL will be assessed using an approach which classified financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(a) Stage 1: 12-months ECL - not credit impaired

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

<u>Significant increase in credit risk</u>

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and assessments based on the Group's and the Bank's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1 month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

Definition of default and credit-impaired financial assets

At each reporting period, the Group and the Bank assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

As part of the assessment of impairment of financial assets under ECL model, the default definition, which is largely align with regulatory reporting purposes, has been applied to three main components, which is a probability of default ("PD") model, a loss given default ("LGD") model and exposure at default ("EAD") model respectively.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Bank will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

Measurement of ECL

ECL are measured using three main components, which include PD, LGD and EAD. These components are derived from internally developed statistical models and adjusted to reflect forward-looking information as set out below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest/profit rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward-looking information

The Group and the Bank have internally developed methodologies for the application of forward-looking macroeconomic variables ("MEV") which consist of economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEV forward-looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

Forward-looking information (continued)

The measurement of ECL incorporates a broad range of forward-looking information as economic inputs, such as but not limited to:

- Gross Domestic Product ("GDP")
- Unemployment Rate
- Consumer Price Index
- House Price Index

The Group and the Bank apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

Best and Worst case: These represent the 'upside' and 'downside' outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

Modification of loans/financing

The Group and the Bank may renegotiate or otherwise modify the contractual cash flows of loans/financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms.

The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

- Significant extension of the loan term when the borrower is not in financial difficulty.

- Significant change in the interest/profit rate.

- Change in the currency the loan/financing is denominated in.

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

Modification of loans/financing (continued)

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest/profit rate (or credit–adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 34.

O Derecognition of financial assets and financial liabilities other than on a modification

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

R Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

(i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

U Cash and cash equivalents

Cash and short-term funds in the statements of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

W Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Distributions to shareholders are recognised directly in equity. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(iv) Purchase of own shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 'Financial Instruments: Presentation'. Treasury shares consist of those own shares purchased pursuant to Section 127 of the Companies Act 2016 and those purchased pursuant to ESOS scheme.

Where the Bank or its subsidiaries purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Bank's equity holders as treasury shares until they are cancelled, reissued or disposed off. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is adjusted against treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Y Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between the sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

Z Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

* the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares.
* by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

* the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
* the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA Investment Account

Unrestricted Investment Account-i ("URIA") refers to a type of investment account structured based on a profit sharing (Mudarabah) contract. Mudarabah is a Shariah-compliant contract between Investment Account Holders ("IAH") as capital providers or investor (Rabbul-mal) and the Bank's subsidiary, Hong Leong Islamic Bank Berhad ("HLISB") as the fund manager (Mudarib). Any profit generated from the investment is shared between the IAH and HLISB according to a mutually pre-agreed Profit Sharing Ratio. Financial losses from the investment activities are borne by the IAH except where such losses are due to HLISB misconduct, negligence, or breach of specified terms. The URIA and financing assets funded by the URIA are recorded in HLISB and the Group's financial statement as its liabilities and assets in accordance with MFRS 9. Risk weighted assets funded by the Investment Account are excluded from the calculation of capital ratio of HLISB and the Group.

Restricted Investment Account-i ("RIA") refers to a type of investment account where the IAH, provides a specific investment mandate to the Bank such as purpose and/or period for investment. The RIA is based on shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises the Bank's subsidiary, HLISB, as investment agent (Wakil) to manage the customers' investment on their behalf. Profit generated from the investment will be distributed to the IAH during the Profit Distribution Period.

AB Financial assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 'Financial Instruments', with the benefit at a below market rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefits of such schemes that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the statements of income in the same financial period in accordance with MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance'.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	**2,429,758**	1,782,374	**1,898,001**	1,425,591
Money at call and deposit placements maturing within one month	**5,777,248**	4,312,695	**4,465,228**	4,031,249
	8,207,006	6,095,069	**6,363,229**	5,456,840
Less: Expected credit losses	**(203)**	(340)	**(1,001)**	(1,052)
	8,206,803	6,094,729	**6,362,228**	5,455,788

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Licensed banks	**422,332**	586,095	**1,344,797**	2,618,370
Central banks	**14,565**	256,420	**-**	-
	436,897	842,515	**1,344,797**	2,618,370
Less: Expected credit losses	**(20)**	(9)	**(1,244)**	(4,035)
	436,877	842,506	**1,343,553**	2,614,335

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Money market instruments				
Bank Negara Malaysia bills	**1,197,414**	49,806	**997,852**	49,806
Government treasury bills	**620,126**	2,083,409	**225,937**	1,786,542
Malaysian Government securities	**305,143**	321,783	**305,143**	321,783
Malaysian Government investment certificates	**1,518,578**	158,570	**1,353,463**	158,570
Cagamas bonds	**15,078**	65,587	**15,078**	65,587
	3,656,339	2,679,155	**2,897,473**	2,382,288
Quoted securities				
Shares in Malaysia	**62,637**	56,693	**11,249**	-
Shares outside Malaysia	**9,352**	-	**9,352**	-
Wholesale fund/unit trust	**1,307,176**	2,780,869	**1,380,727**	2,859,382
Portfolio Investment Accounts (Note)	**1,282**	9,097	**-**	-
Foreign currency bonds in Malaysia	**-**	11,938	**-**	11,938
Foreign currency bonds outside Malaysia	**-**	31,120	**-**	31,120
Convertible bonds outside Malaysia	**-**	1,108,752	**-**	1,190,942
	1,380,447	3,998,469	**1,401,328**	4,093,382
Unquoted securities				
Government sukuk	**-**	101,766	**-**	-
Corporate bonds and sukuk	**190,885**	84,472	**190,885**	84,472
Shares in Malaysia	**364,985**	355,620	**364,985**	355,620
Foreign currency bonds in Malaysia	**37,281**	-	**37,281**	-
Redeemable preference shares	**25,000**	25,000	**25,000**	25,000
	618,151	566,858	**618,151**	465,092
	5,654,937	7,244,482	**4,916,952**	6,940,762

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.

6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
(a) Debt instruments	**33,789,020**	26,112,917	**30,011,550**	22,333,135
(b) Equity instruments	**97,650**	83,386	**97,650**	83,386
	33,886,670	26,196,303	**30,109,200**	22,416,521

(a) Debt instruments

	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
Money market instruments				
Government treasury bills	**1,820,701**	-	**1,820,701**	-
Malaysian Government securities	**4,493,298**	3,670,109	**4,493,298**	3,670,109
Malaysian Government investment certificates	**9,726,037**	8,954,723	**6,297,637**	5,571,427
Negotiable instruments of deposit	**1,306,322**	1,796,800	**1,306,322**	1,796,800
Cagamas bonds	**2,535,068**	821,260	**2,535,068**	795,929
Khazanah bonds	**363,416**	348,079	**363,416**	348,079
	20,244,842	15,590,971	**16,816,442**	12,182,344
Quoted securities				
Government sukuk	**860,644**	831,321	**860,644**	831,321
Foreign currency bonds in Malaysia	**1,873,035**	1,216,476	**1,873,035**	1,216,476
Foreign currency bonds outside Malaysia	**1,703,172**	842,415	**1,703,172**	842,415
	4,436,851	2,890,212	**4,436,851**	2,890,212
Unquoted securities				
Government sukuk	**30,768**	417,257	**30,768**	417,257
Corporate bonds and sukuk	**7,896,424**	6,783,878	**7,553,461**	6,420,235
Foreign currency bonds in Malaysia	**847,674**	175,112	**847,674**	175,112
Foreign currency bonds outside Malaysia	**332,461**	255,487	**326,354**	247,975
	9,107,327	7,631,734	**8,758,257**	7,260,579
	33,789,020	26,112,917	**30,011,550**	22,333,135

Included in the debt instruments at FVOCI are securities which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM2,918,310,000 (2022: RM1,292,472,000).

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**1,729**	**-**	**4,287**	**6,016**
New financial assets originated or purchased	**959**	**-**	**-**	**959**
Financial assets derecognised	**(199)**	**-**	**-**	**(199)**
Changes due to change in credit risk	**(576)**	**-**	**-**	**(576)**
Exchange differences	**101**	**-**	**-**	**101**
At 30 June	**2,014**	**-**	**4,287**	**6,301**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	2,266	-	4,287	6,553
New financial assets originated or purchased	244	-	-	244
Financial assets derecognised	(791)	-	-	(791)
Changes due to change in credit risk	(66)	-	-	(66)
Exchange differences	76	-	-	76
At 30 June	1,729	-	4,287	6,016

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6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**1,724**	**-**	**4,287**	**6,011**
New financial assets originated or purchased	**959**	**-**	**-**	**959**
Financial assets derecognised	**(193)**	**-**	**-**	**(193)**
Changes due to change in credit risk	**(581)**	**-**	**-**	**(581)**
Exchange differences	**98**	**-**	**-**	**98**
At 30 June	**2,007**	**-**	**4,287**	**6,294**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	2,266	-	4,287	6,553
New financial assets originated or purchased	237	-	-	237
Financial assets derecognised	(791)	-	-	(791)
Changes due to change in credit risk	(66)	-	-	(66)
Exchange differences	78	-	-	78
At 30 June	1,724	-	4,287	6,011

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	**97,650**	83,386	**97,650**	83,386

6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

The Group and the Bank designated certain investments shown in the following table as equity instruments under FVOCI, which is held for socio-economic purposes or not for trading purposes.

The Group and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2023		
Securities:		
RAM Holdings Berhad	**6,432**	**2,175**
Payments Network Malaysia Sdn Bhd	**89,975**	**-**
Others	**1,243**	**-**
	97,650	**2,175**

The Group and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2022		
Securities:		
RAM Holdings Berhad	7,764	406
Payments Network Malaysia Sdn Bhd	74,544	-
Others	1,078	-
	83,386	406

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for the financial year ended 30 June 2023

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Money market instruments				
Government treasury bills	**60,676**	57,612	**60,676**	57,612
Malaysian Government securities	**5,427,423**	4,787,205	**5,427,423**	4,787,205
Malaysian Government investment certificates	**22,985,651**	22,720,790	**14,847,344**	14,950,431
Cagamas bonds	**1,658,260**	416,700	**954,692**	265,439
Khazanah bonds	**14,393**	13,889	**14,393**	13,889
Other Government securities	**421,343**	419,246	**357,609**	357,270
	30,567,746	28,415,442	**21,662,137**	20,431,846
Quoted securities				
Foreign currency bonds outside Malaysia	**19,117**	62,174	**19,117**	62,174
Unquoted securities				
Government sukuk	**30,611**	2,583,133	**30,611**	1,617,188
Corporate bonds and sukuk	**576,609**	1,297,733	**489,699**	1,033,337
	607,220	3,880,866	**520,310**	2,650,525
Less: Expected credit losses	**(18)**	(68)	**-**	-
	31,194,065	32,358,414	**22,201,564**	23,144,545

Included in the financial investments at amortised cost are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM4,478,710,000 (2022: RM2,692,688,000).

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**68**	**-**	**-**	**68**
Changes due to change in credit risk	**(52)**	**-**	**-**	**(52)**
Changes in models/risk parameters	**(1)**	**-**	**-**	**(1)**
Exchange differences	**3**	**-**	**-**	**3**
At 30 June	**18**	**-**	**-**	**18**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	68	-	-	68
New financial assets originated or purchased	67	-	-	67
Financial assets derecognised	(68)	-	-	(68)
Exchange differences	1	-	-	1
At 30 June	68	-	-	68

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July/30 June	-	-	-	-

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	23	-	-	23
Financial assets derecognised	(24)	-	-	(24)
Exchange differences	1	-	-	1
At 30 June	-	-	-	-

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
At 1 July	**32,358,482**	**-**	**-**	**32,358,482**
New financial assets originated or purchased	**556,100**	**-**	**-**	**556,100**
Financial assets derecognised	**(5,506,752)**	**-**	**-**	**(5,506,752)**
Changes due to change in credit risk	**3,749,738**	**-**	**-**	**3,749,738**
Exchange differences	**36,515**	**-**	**-**	**36,515**
At 30 June	**31,194,083**	**-**	**-**	**31,194,083**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
At 1 July	23,634,975	-	-	23,634,975
New financial assets originated or purchased	499,987	-	-	499,987
Financial assets derecognised	(2,740,244)	-	-	(2,740,244)
Changes due to change in credit risk	10,902,558	-	-	10,902,558
Exchange differences	61,206	-	-	61,206
At 30 June	32,358,482	-	-	32,358,482

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
At 1 July	**23,144,545**	**-**	**-**	**23,144,545**
New financial assets originated or purchased	**556,100**	**-**	**-**	**556,100**
Financial assets derecognised	**(3,988,642)**	**-**	**-**	**(3,988,642)**
Changes due to change in credit risk	**2,456,059**	**-**	**-**	**2,456,059**
Exchange differences	**33,502**	**-**	**-**	**33,502**
At 30 June	**22,201,564**	**-**	**-**	**22,201,564**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
At 1 July	16,558,749	-	-	16,558,749
New financial assets originated or purchased	499,987	-	-	499,987
Financial assets derecognised	(1,751,968)	-	-	(1,751,968)
Changes due to change in credit risk	7,779,510	-	-	7,779,510
Exchange differences	58,267	-	-	58,267
At 30 June	23,144,545	-	-	23,144,545

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Overdrafts	**4,077,891**	3,546,936	**2,603,155**	2,418,512
Term loans/financing:				
- Housing and shop loans/financing	**97,387,797**	91,169,501	**75,068,963**	70,818,806
- Hire purchase receivables	**19,914,072**	18,035,880	**14,287,272**	13,757,762
- Ijarah receivables	**249,054**	247,445	**-**	-
- Other term loans/financing and syndicated term loans	**35,065,848**	31,953,779	**23,546,880**	21,668,500
Credit/charge card receivables	**3,202,663**	2,923,883	**3,202,663**	2,923,883
Bills receivable	**1,936,868**	1,539,682	**1,522,981**	1,226,517
Trust receipts	**441,074**	417,252	**301,326**	219,633
Claims on customers under acceptance credits	**8,936,884**	8,817,344	**7,558,692**	7,484,462
Revolving credit	**10,339,502**	9,455,248	**8,142,773**	7,423,951
Staff loans/financing	**125,058**	127,075	**108,093**	111,524
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	**(14,700)**	(9,962)	**(11,788)**	(6,919)
Allowance for impairment losses:				
- Expected credit losses	**(1,759,164)**	(1,736,442)	**(1,238,249)**	(1,301,095)
Total net loans, advances and financing	**179,902,847**	166,487,621	**135,092,761**	126,745,536

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM2,917,197,000 (2022: RM1,572,077,000) and RM1,463,428,000 (2022: RM481,662,000) respectively.

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for the financial year ended 30 June 2023

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Maturing within:				
- one year	**32,945,837**	30,652,059	**26,641,266**	25,192,137
- one year to three years	**7,231,435**	6,799,754	**5,321,960**	4,984,708
- three years to five years	**10,654,145**	11,278,670	**8,184,124**	8,521,519
- over five years	**130,845,294**	119,503,542	**96,195,448**	89,355,186
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550

(ii) The loans, advances and financing are disbursed to the following types of customers:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**2,228,815**	1,916,763	**1,878,916**	1,589,487
Domestic business enterprises:				
- small and medium enterprises	**33,030,609**	30,114,790	**23,810,665**	22,093,010
- others	**27,819,048**	25,126,789	**20,975,027**	18,824,683
Government and statutory bodies	**1,108**	1,387	**-**	-
Individuals	**115,372,002**	107,602,406	**86,802,501**	82,391,900
Other domestic entities	**100,246**	103,122	**5,374**	9,529
Foreign entities	**3,124,883**	3,368,768	**2,870,315**	3,144,941
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate:				
- Housing and shop loans/financing	**4,875,610**	1,387,937	**3,661,786**	841,055
- Hire purchase receivables	**19,856,028**	17,965,989	**14,248,349**	13,709,506
- Credit card	**3,202,663**	2,923,883	**3,202,663**	2,923,883
- Other fixed rate loans/financing	**5,438,263**	6,589,216	**4,190,957**	4,954,285
Variable rate:				
- Standardised base rate/base rate/ base lending rate plus	**123,357,618**	116,345,805	**93,672,546**	89,645,540
- Cost plus	**24,846,899**	22,881,491	**17,358,416**	15,973,965
- Other variable rates	**99,630**	139,704	**8,081**	5,316
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of securities	**945,964**	976,120	**769,222**	723,762
Purchase of transport vehicles	**19,574,851**	17,653,587	**13,920,233**	13,359,480
Residential property (housing)	**89,114,464**	82,434,133	**67,773,624**	63,214,707
Non-residential property	**21,976,096**	20,519,124	**16,577,973**	15,916,196
Purchase of fixed assets (excluding landed properties)	**1,672,034**	1,613,109	**1,140,245**	1,152,867
Personal use	**3,885,235**	3,706,863	**2,616,759**	2,487,061
Credit card	**3,202,663**	2,923,883	**3,202,663**	2,923,883
Construction	**4,197,939**	3,531,187	**2,886,552**	2,545,847
Working capital	**35,949,262**	33,770,002	**26,681,549**	25,022,038
Other purpose	**1,158,203**	1,106,017	**773,978**	707,709
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550

Notes to the Financial Statements

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
In Malaysia	**167,711,542**	156,478,949	**126,928,323**	120,407,820
Outside Malaysia:				
- Singapore	**9,367,686**	7,624,640	**9,367,686**	7,624,640
- Hong Kong	**46,789**	21,090	**46,789**	21,090
- Vietnam	**1,956,082**	1,652,819	**-**	-
- Cambodia	**2,594,612**	2,456,527	**-**	-
Gross loans, advances and financing	**181,676,711**	168,234,025	**136,342,798**	128,053,550

(vi) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of securities	**125**	232	**-**	220
Purchase of transport vehicles	**42,881**	35,282	**27,129**	24,091
Residential property (housing)	**404,337**	314,945	**254,059**	237,431
Non-residential property	**119,107**	151,278	**105,087**	132,400
Purchase of fixed assets (excluding landed properties)	**4,627**	485	**4,627**	485
Personal use	**47,205**	44,522	**27,991**	22,823
Credit card	**30,445**	21,419	**30,445**	21,419
Construction	**24,851**	9,271	**5,575**	7,292
Working capital	**274,325**	207,698	**201,728**	172,273
Other purpose	**93,981**	34,618	**19,959**	29,212
Gross impaired loans, advances and financing	**1,041,884**	819,750	**676,600**	647,646

(vii) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
In Malaysia	**982,267**	805,638	**675,119**	646,805
Outside Malaysia:				
- Singapore	**1,481**	841	**1,481**	841
- Vietnam	**928**	1,585	**-**	-
- Cambodia	**57,208**	11,686	**-**	-
Gross impaired loans, advances and financing	**1,041,884**	819,750	**676,600**	647,646

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**976,919**	**423,876**	**335,647**	**1,736,442**
Changes in ECL due to transfer within stages	**(44,041)**	**(203,150)**	**247,191**	**-**
Transfer to Stage 1	**35,330**	**(35,233)**	**(97)**	**-**
Transfer to Stage 2	**(76,350)**	**145,877**	**(69,527)**	**-**
Transfer to Stage 3	**(3,021)**	**(313,794)**	**316,815**	**-**
New financial assets originated	**46,534**	**855**	**54**	**47,443**
Financial assets derecognised	**(15,723)**	**(30,658)**	**(25,835)**	**(72,216)**
Changes due to change in credit risk	**(5,294)**	**186,477**	**172,701**	**353,884**
Modifications to contractual cash flows of financial asset	**366**	**1,078**	**203**	**1,647**
Changes in models/risk parameters	**5,747**	**2,706**	**-**	**8,453**
Amount written off	**-**	**-**	**(306,145)**	**(306,145)**
Exchange difference	**1,757**	**571**	**(615)**	**1,713**
Other movements	**-**	**-**	**(12,057)**	**(12,057)**
At 30 June	**966,265**	**381,755**	**411,144**	**1,759,164**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	1,074,984	459,674	234,509	1,769,167
Changes in ECL due to transfer within stages	(57,015)	(237,985)	295,000	-
Transfer to Stage 1	33,219	(33,172)	(47)	-
Transfer to Stage 2	(87,703)	147,995	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,269	230	299	39,798
Financial assets derecognised	(16,026)	(26,665)	(15,760)	(58,451)
Changes due to change in credit risk	(60,303)	235,583	250,653	425,933
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,838)	(425,838)
Exchange difference	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June	976,919	423,876	335,647	1,736,442

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**745,735**	**296,203**	**259,157**	**1,301,095**
Changes in ECL due to transfer within stages	**(33,871)**	**(133,368)**	**167,239**	**-**
Transfer to Stage 1	**23,273**	**(23,177)**	**(96)**	**-**
Transfer to Stage 2	**(55,203)**	**102,604**	**(47,401)**	**-**
Transfer to Stage 3	**(1,941)**	**(212,795)**	**214,736**	**-**
New financial assets originated	**32,000**	**199**	**2**	**32,201**
Financial assets derecognised	**(10,249)**	**(19,385)**	**(17,393)**	**(47,027)**
Changes due to change in credit risk	**(27,596)**	**118,445**	**88,581**	**179,430**
Modifications to contractual cash flows of financial asset	**366**	**1,103**	**(76)**	**1,393**
Changes in models/risk parameters	**4,451**	**2,572**	**-**	**7,023**
Amount written off	**-**	**-**	**(227,681)**	**(227,681)**
Exchange difference	**1,310**	**39**	**(160)**	**1,189**
Other movements	**-**	**-**	**(9,374)**	**(9,374)**
At 30 June	**712,146**	**265,808**	**260,295**	**1,238,249**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	818,437	326,761	186,098	1,331,296
Changes in ECL due to transfer within stages	(39,809)	(80,113)	119,922	-
Transfer to Stage 1	24,038	(24,007)	(31)	-
Transfer to Stage 2	(62,553)	103,838	(41,285)	-
Transfer to Stage 3	(1,294)	(159,944)	161,238	-
New financial assets originated	24,649	198	3	24,850
Financial assets derecognised	(6,553)	(16,235)	(9,573)	(32,361)
Changes due to change in credit risk	(47,827)	71,620	145,195	168,988
Changes in models/risk parameters	(3,638)	(6,080)	(349)	(10,067)
Amount written off	-	-	(178,336)	(178,336)
Exchange difference	476	52	12	540
Other movements	-	-	(3,815)	(3,815)
At 30 June	745,735	296,203	259,157	1,301,095

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
At 1 July	**150,930,362**	**16,483,913**	**819,750**	**168,234,025**
Total transfer within stages	**8,010,442**	**(8,717,341)**	**706,899**	**-**
Transfer to Stage 1	**11,965,339**	**(11,962,495)**	**(2,844)**	**-**
Transfer to Stage 2	**(3,890,107)**	**4,788,028**	**(897,921)**	**-**
Transfer to Stage 3	**(64,790)**	**(1,542,874)**	**1,607,664**	**-**
New financial assets originated	**20,914,513**	**802,354**	**1,011**	**21,717,878**
Financial assets derecognised	**(7,178,642)**	**(326,908)**	**(63,199)**	**(7,568,749)**
Changes due to change in credit risk	**4,374**	**(1,568,124)**	**(116,749)**	**(1,680,499)**
Modifications to contractual cash flows and unwinding of modification impact	**63,763**	**29,870**	**-**	**93,633**
Amount written off	**-**	**-**	**(306,460)**	**(306,460)**
Exchange difference	**1,181,668**	**4,583**	**632**	**1,186,883**
At 30 June	**173,926,480**	**6,708,347**	**1,041,884**	**181,676,711**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
At 1 July	145,379,302	9,725,500	717,407	155,822,209
Total transfer within stages	(8,080,053)	7,410,161	669,892	-
Transfer to Stage 1	10,337,231	(10,335,663)	(1,568)	-
Transfer to Stage 2	(18,384,549)	19,010,878	(626,329)	-
Transfer to Stage 3	(32,735)	(1,265,054)	1,297,789	-
New financial assets originated	17,350,775	2,626,969	327	19,978,071
Financial assets derecognised	(4,663,945)	(341,432)	(55,254)	(5,060,631)
Changes due to change in credit risk	352,394	(2,942,768)	(88,136)	(2,678,510)
Modifications to contractual cash flows and unwinding of modification impact	56,999	(132)	-	56,867
Amount written off	-	-	(426,047)	(426,047)
Exchange difference	534,890	5,615	1,561	542,066
At 30 June	150,930,362	16,483,913	819,750	168,234,025

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
At 1 July	**115,303,564**	**12,102,340**	**647,646**	**128,053,550**
Total transfer within stages	**6,035,464**	**(6,442,609)**	**407,145**	**-**
Transfer to Stage 1	**8,688,017**	**(8,689,569)**	**1,552**	**-**
Transfer to Stage 2	**(2,631,078)**	**3,280,395**	**(649,317)**	**-**
Transfer to Stage 3	**(21,475)**	**(1,033,435)**	**1,054,910**	**-**
New financial assets originated	**15,112,650**	**12,801**	**1,011**	**15,126,462**
Financial assets derecognised	**(5,510,694)**	**(244,181)**	**(49,277)**	**(5,804,152)**
Changes due to change in credit risk	**(1,100,494)**	**(633,176)**	**(102,008)**	**(1,835,678)**
Modifications to contractual cash flows and unwinding of modification impact	**38,990**	**19,071**	**-**	**58,061**
Amount written off	**-**	**-**	**(227,996)**	**(227,996)**
Exchange difference	**970,889**	**1,583**	**79**	**972,551**
At 30 June	**130,850,369**	**4,815,829**	**676,600**	**136,342,798**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
At 1 July	112,428,479	7,390,586	582,517	120,401,582
Total transfer within stages	(5,594,426)	5,225,493	368,933	-
Transfer to Stage 1	7,658,177	(7,663,340)	5,163	-
Transfer to Stage 2	(13,231,394)	13,688,811	(457,417)	-
Transfer to Stage 3	(21,209)	(799,978)	821,187	-
New financial assets originated	12,527,693	18,105	253	12,546,051
Financial assets derecognised	(3,277,503)	(251,801)	(45,738)	(3,575,042)
Changes due to change in credit risk	(1,214,824)	(280,997)	(79,917)	(1,575,738)
Modifications to contractual cash flows and unwinding of modification impact	29,080	105	-	29,185
Amount written off	-	-	(178,545)	(178,545)
Exchange difference	405,065	849	143	406,057
At 30 June	115,303,564	12,102,340	647,646	128,053,550

9 OTHER ASSETS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Foreclosed properties	**46**	46	**46**	46
Sundry debtors and other prepayments	**209,513**	163,872	**199,360**	155,655
Settlement accounts	**850,808**	708,194	**849,543**	707,138
Treasury related receivables	**159,021**	578,958	**159,021**	106,758
Cash collateral pledged for derivative transactions	**1,076,611**	678,909	**1,076,611**	678,909
Other receivables	**158,416**	150,763	**113,922**	133,049
	2,454,415	2,280,742	**2,398,503**	1,781,555

10 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**715,585**	698,835	**715,585**	698,833
- cross currency swaps		**217,004**	211,722	**217,004**	210,478
- foreign currency forwards		**993,558**	731,174	**892,575**	648,433
- foreign currency options		**46,942**	52,967	**46,975**	52,967
- futures		**26,173**	9,909	**26,173**	9,909
- equity options		**63,994**	104,802	**63,994**	104,802
- swaption		**908**	-	**7,213**	225
- commodity swap		**1,142**	4,348	**1,142**	4,348
- total return swap		**92,605**	39,156	**92,605**	39,156
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**10,513**	10,387	**8,403**	7,220
Total derivative financial instruments assets		**2,168,424**	1,863,300	**2,071,669**	1,776,371

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(909,410)**	(1,034,387)	**(878,339)**	(1,016,254)
- cross currency swaps		**(415,845)**	(224,152)	**(415,845)**	(224,154)
- foreign currency forwards		**(852,853)**	(240,765)	**(797,941)**	(233,802)
- foreign currency options		**(33,915)**	(50,603)	**(33,948)**	(50,603)
- futures		**(874)**	(31,678)	**(874)**	(31,678)
- equity options		**(61,479)**	(103,510)	**(61,479)**	(103,510)
- swaption		**(19,739)**	(7,767)	**(19,739)**	(7,768)
- commodity swap		**(1,131)**	(4,346)	**(1,131)**	(4,346)
- total return swap		**(92,605)**	(39,156)	**(92,605)**	(39,156)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**-**	(361)	**-**	(361)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**(35)**	(113)	**(35)**	(113)
Total derivative financial instruments liabilities		**(2,387,886)**	(1,736,838)	**(2,301,936)**	(1,711,745)

(a) Cash flow hedge

The Group and the Bank's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The effectiveness of hedging relationship is assessed by comparing the changes in fair value of the interest rate swaps with changes in the fair value of the hedged items attributable to the hedged risk to ensure there is an economic relationship between the hedged items and the hedging instruments. During the financial year ended 30 June 2023, all cash flow hedges have been unwind and the cumulative loss in equity has been reclassified to the statements of income following the maturity of the cash flow hedge.

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge (continued)

The cash flows of the hedging instruments and the hedged items are detailed below:

	The Group and The Bank	
	2023	2022
	> 1 - 3 months RM'000	> 1 - 3 months RM'000
Cash inflows (hedging instruments)	-	569
Cash outflows (hedged items)	-	(491)
Net cash inflows	-	78

(b) Fair value hedge

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM541,667,000 (2022: RM563,095,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value gain of the said interest rate swaps related to these hedges amounted to RM8,368,000 (2022: fair value loss of RM7,107,000) at Group and Bank, respectively.

On 29 April 2022, the Bank issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. The Bank has hedged the interest rate risk arising from these Green Capital Securities.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gain on hedging instruments	**9,903**	23,061	**9,903**	23,061
Loss on the hedged items attributable to the hedged risks	**(9,050)**	(25,202)	**(9,050)**	(25,202)
	853	(2,141)	**853**	(2,141)

11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2023 RM'000	2022 RM'000
Intercompany settlement	**143,862**	91,110

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

12 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by the Bank and its subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities. A foreign subsidiary of the Group and a foreign branch of the Bank also maintained non-interest bearing statutory deposits with their respective central banks in compliance with the respective applicable legislations.

13 SUBSIDIARY COMPANIES

	The Bank	
	2023 RM'000	2022 RM'000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**961,322**	961,322
- outside Malaysia	**775,989**	775,989
	1,737,311	1,737,311
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	**404,018**	401,799
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	**400,788**	400,788
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**113,200**	85,798
	918,006	888,385
	2,655,317	2,625,696

13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held 2023	Percentage (%) of equity held 2022	Principal activities
(a) Hong Leong Islamic Bank Berhad ("HLISB")	**100**	100	Islamic Banking business and related financial services
(b) HLB Principal Investments (L) Limited and its subsidiary company:	**100**	100	Investment holding
- Promino Sdn Bhd	**100**	100	Holding of pooled motor vehicles for HLBB group's usage
(c) EB Nominees (Tempatan) Sendirian Berhad	**100**	100	In member's voluntary liquidation
(d) EB Realty Sendirian Berhad	**100**	100	In member's voluntary liquidation
(e) OBB Realty Sdn Bhd	**100**	100	Property investment
(f) HLF Credit (Perak) Bhd and its subsidiary companies:	**100**	100	Investment holding
(i) Gensource Sdn Bhd and its subsidiary company:	**100**	100	Investment holding
- Pelita Terang Sdn Bhd	**100**	100	Dormant
(ii) Promidah Sdn Bhd*	**100**	100	Dormant
(iii) Promizul Sdn Bhd	**100**	100	In member's voluntary liquidation
(iv) HLB Realty Sdn Bhd	**100**	100	Property investment
(g) HLB Nominees (Tempatan) Sdn Bhd	**100**	100	Agent and nominee for Malaysian clients
(h) HLB Nominees (Asing) Sdn Bhd	**100**	100	Agent and nominee for foreign clients
(i) HLB Trade Services (Hong Kong) Limited*	**100**	100	Ceased operations
(j) Hong Leong Bank Vietnam Limited*	**100**	100	Commercial banking business
(k) Hong Leong Bank (Cambodia) PLC*+	**100**	100	Commercial banking business
(l) Promilia Berhad	**100**	100	Holding of motor vehicles for HLBB group's usage
(m) DC Tower Sdn Bhd	**100**	100	Property management
(n) Unincorporated trust for ESOS Ω *	**-**	-	Special purpose vehicle
(o) Hong Leong Wholesale Equity Fund 2 Ω	**100**	100	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firm of PricewaterhouseCoopers International Limited
Ω Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

14 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Quoted shares outside Malaysia, at cost	**2,054,828**	938,311	**2,063,022**	946,505
Unquoted shares in Malaysia, at cost	**20**	20	**20**	20
Unquoted shares outside Malaysia, at cost	**24,657**	24,657	**24,657**	24,657
Cumulative share of results, net of dividends received	**5,793,135**	4,508,513	**-**	-
Equity conversion option	**57,937**	82,751	**-**	-
Cumulative share of changes in other comprehensive loss	**(17,141)**	(2,096)	**-**	-
Exchange fluctuation reserve	**799,540**	903,318	**-**	-
	8,712,976	6,455,474	**2,087,699**	971,182

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2023	2022	Principal activities
Bank of Chengdu Co., Ltd. ("BOCD")	China	**19.8%**	18.0%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	**20.0%**	20.0%	Investment holding
Sichuan Jincheng Consumer Finance Limited Company ("JCCFC")	China	**12.0%**	12.0%	Consumer financing

Nature of relationship

(i) BOCD

On 25 October 2007, HLB entered into a Share Subscription Agreement with BOCD to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The Subscription enables HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It will strengthen and diversify the earnings base of HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Bank's equity interest of the enlarged capital in BOCD reduced to 18% from 20%. BOCD remains an associate by virtue of the representation held on BOCD's Board of Directors.

In March 2022, HLB subscribed convertible bonds issued by BOCD. During the financial year, HLB has fully converted the bonds and the Bank's equity interest in BOCD has been revised to 19.8% as at 30 June 2023.

The market value of BOCD's shares held by the Bank is RM5.94 billion (2022: RM7.09 billion) at RM7.88 (2022: RM10.91) per share as at 30 June 2023.

The Group deems BOCD as a material associated company.

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(i) BOCD (continued)

As at 30 June 2023, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2023 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

The VIU calculation uses discounted cash flows projections based on BOCD management's best estimates of future earnings taking into account of past performance and BOCD's expectation of market development. This calculation uses cash flows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2024 with a further projection of 4 years, which was approved by BOCD management. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.93% (2022: 5.65%) representing the forecasted Gross Domestic Product growth rate of the country.

The discount rate of 13.6% (2022: 13.6%) used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using available market data.

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

CCSR is a private company and there is no quoted market price available for its shares.

(iii) JCCFC

On 1 March 2010, HLB together with BOCD, obtained operation approval from China Banking Regulatory Commission ("CBRC") for JCCFC, a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. JCCFC focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in JCCFC. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

In March 2017, the Board of Directors had approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. In 2019, the net gain on divestment of joint venture of RM90,106,000 was recognised in the Group's statements of income.

Post completion of the divestment exercise, the retained interest of 12% was derecognised from the investment in joint venture and classified as investment in associated companies. JCCFC remains an associate by virtue of the representation held on JCCFC's Board of Directors.

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows:

(i) BOCD

	The Group	
	2023 RM'000	2022 RM'000
Total assets	**663,055,407**	587,601,391
Total liabilities	**(619,627,516)**	(552,359,573)
Net assets	**43,427,891**	35,241,818

	The Group	
	2023 RM'000	2022 RM'000
Interest income	**23,809,371**	20,952,823
Interest expenses	**(12,550,167)**	(10,666,498)
Non-interest income	**2,460,679**	2,410,797
Profit before taxation	**8,538,581**	6,675,167
Profit after taxation	**6,869,924**	5,629,205
Total comprehensive income	**6,785,363**	5,536,137
Dividends paid/declared by the associated company during the financial year	**-**	1,493,002
Share of results of associated companies (%)	**19.8%**	18.0%
Share of results of associated companies (RM'000)	**1,266,273**	1,012,694
Dividends received/accrued from the associated company (RM'000)	**-**	268,591

(ii) JCCFC

	The Group	
	2023 RM'000	2022 RM'000
Total assets	**6,788,841**	6,810,330
Total liabilities	**(5,691,966)**	(5,848,075)
Net assets	**1,096,875**	962,255

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows: (continued)

(ii) JCCFC (continued)

	The Group	
	2023 RM'000	2022 RM'000
Interest income	**923,853**	948,882
Interest expenses	**(238,288)**	(305,565)
Non-interest income	**15,257**	17,703
Profit before taxation	**258,435**	196,993
Profit after taxation	**193,392**	148,308
Dividends declared by the associated company during the financial year	**40,488**	19,275
Share of results of associated companies (%)	**12.0%**	12.0%
Share of results of associated companies (RM'000)	**23,207**	17,797
Dividends accrued from the associated company (RM'000)	**4,859**	2,313

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements:

(i) BOCD

	The Group	
	2023 RM'000	2022 RM'000
Opening net assets as at 1 July	**35,241,818**	30,038,111
Effect arising from conversion of convertible bonds	**2,524,428**	-
Profit for the financial year	**6,869,924**	5,629,205
Other comprehensive loss for the financial year	**(84,561)**	(93,068)
Dividends paid/declared	**-**	(1,493,002)
Equity conversion option	**(166,780)**	459,983
Exchange fluctuation reserve	**(956,938)**	700,589
Closing net assets as at 30 June	**43,427,891**	35,241,818
Interest in associated companies (%)	**19.8%**	18.0%
Interest in associated companies (RM'000)	**8,581,351**	6,340,003

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements: (continued)

(ii) JCCFC

	The Group	
	2023 RM'000	2022 RM'000
Opening net assets as at 1 July	**962,255**	814,047
Profit for the financial year	**193,392**	148,308
Dividends declared	**(40,488)**	(19,275)
Exchange fluctuation reserve	**(18,284)**	19,175
Closing net assets as at 30 June	**1,096,875**	962,255
Interest in associated companies (%)	**12.0%**	12.0%
Interest in associated companies (RM'000)	**131,625**	115,471

The summarised financial information above represents amount shown in the material associates' financial statements prepared in accordance with MFRSs. The information is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

15 PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2023											
Cost											
At 1 July	133,847	583,033	1,092	40,547	2,636	111,637	528,138	977,005	6,230	68,523	2,452,688
Additions	10,342	-	-	-	-	-	5,822	28,075	1,312	86,518	132,069
Reclassification/Transfer	-	-	-	-	-	-	1,674	6,700	-	(85,490)	(77,116)
Disposals/Write off	-	-	-	-	-	-	(10,481)	(112,240)	(762)	(14)	(123,497)
Exchange fluctuation	-	-	-	-	-	-	2,403	2,272	196	270	5,141
At 30 June	144,189	583,033	1,092	40,547	2,636	111,637	527,556	901,812	6,976	69,807	2,389,285
Accumulated depreciation											
At 1 July	-	74,523	486	5,815	1,534	28,991	445,258	780,986	4,489	-	1,342,082
Charge for the financial year	-	11,641	17	423	50	2,102	23,034	71,775	997	-	110,039
Reclassification/Transfer	-	-	-	-	-	-	-	65	-	-	65
Disposals/Write off	-	-	-	-	-	-	(10,327)	(111,124)	(762)	-	(122,213)
Exchange fluctuation	-	-	-	-	-	-	2,002	1,766	153	-	3,921
At 30 June	-	86,164	503	6,238	1,584	31,093	459,967	743,468	4,877	-	1,333,894
Net book value as at 30 June 2023	144,189	496,869	589	34,309	1,052	80,544	67,589	158,344	2,099	69,807	1,055,391

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2023

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2022											
Cost											
At 1 July	133,847	583,033	1,092	40,805	2,636	113,545	542,723	970,129	5,880	71,515	2,465,205
Additions	-	-	-	-	-	-	4,065	18,724	853	92,036	115,678
Reclassification/Transfer	-	-	-	-	-	(1,536)	1,258	14,489	-	(95,598)	(81,387)
Disposals/Write off	-	-	-	(258)	-	(372)	(21,570)	(27,651)	(560)	(34)	(50,445)
Exchange fluctuation	-	-	-	-	-	-	1,662	1,314	57	604	3,637
At 30 June	133,847	583,033	1,092	40,547	2,636	111,637	528,138	977,005	6,230	68,523	2,452,688
Accumulated depreciation											
At 1 July	-	62,875	469	5,480	1,480	27,131	437,881	728,053	4,048	-	1,267,417
Charge for the financial year	-	11,648	17	426	54	2,087	26,976	79,341	950	-	121,499
Disposals/Write off	-	-	-	(91)	-	(227)	(21,003)	(27,505)	(560)	-	(49,386)
Exchange fluctuation	-	-	-	-	-	-	1,404	1,097	51	-	2,552
At 30 June	-	74,523	486	5,815	1,534	28,991	445,258	780,986	4,489	-	1,342,082
Net book value as at 30 June 2022	133,847	508,510	606	34,732	1,102	82,646	82,880	196,019	1,741	68,523	1,110,606

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2023											
Cost											
At 1 July	53,485	51,161	628	40,116	3,269	107,210	485,615	934,406	4,629	64,522	1,745,041
Additions	10,342	-	-	-	-	-	4,357	27,467	1,000	86,037	129,203
Reclassification/Transfer	-	-	-	-	-	-	1,675	6,700	-	(84,467)	(76,092)
Disposals/Write off	-	-	-	-	-	-	(8,668)	(109,825)	(645)	(15)	(119,153)
Exchange fluctuation	-	-	-	-	-	-	897	1,184	140	(1)	2,220
At 30 June	63,827	51,161	628	40,116	3,269	107,210	483,876	859,932	5,124	66,076	1,681,219
Accumulated depreciation											
At 1 July	-	19,635	207	5,796	1,297	25,489	414,274	746,840	3,514	-	1,217,052
Charge for the financial year	-	1,017	15	424	89	2,026	20,244	68,405	630	-	92,850
Reclassification/Transfer	-	-	-	-	-	-	-	54	-	-	54
Disposals/Write off	-	-	-	-	-	-	(8,551)	(109,202)	(645)	-	(118,398)
Exchange fluctuation	-	-	-	-	-	-	680	824	117	-	1,621
At 30 June	-	20,652	222	6,220	1,386	27,515	426,647	706,921	3,616	-	1,193,179
Net book value as at 30 June 2023	63,827	30,509	406	33,896	1,883	79,695	57,229	153,011	1,508	66,076	488,040

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2023

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2022											
Cost											
At 1 July	53,485	51,161	628	40,374	3,269	109,118	501,934	930,103	4,828	61,386	1,756,286
Additions	-	-	-	-	-	-	2,539	18,052	319	88,988	109,898
Reclassification/Transfer	-	-	-	-	-	(1,536)	938	13,216	-	(85,852)	(73,234)
Disposals/Write off	-	-	-	(258)	-	(372)	(20,074)	(27,322)	(555)	-	(48,581)
Exchange fluctuation	-	-	-	-	-	-	278	357	37	-	672
At 30 June	53,485	51,161	628	40,116	3,269	107,210	485,615	934,406	4,629	64,522	1,745,041
Accumulated depreciation											
At 1 July	-	18,613	192	5,460	1,208	23,705	410,382	698,109	3,392	-	1,161,061
Charge for the financial year	-	1,022	15	427	89	2,011	23,255	75,666	652	-	103,137
Disposals/Write off	-	-	-	(91)	-	(227)	(19,564)	(27,198)	(555)	-	(47,635)
Exchange fluctuation	-	-	-	-	-	-	201	263	25	-	489
At 30 June	-	19,635	207	5,796	1,297	25,489	414,274	746,840	3,514	-	1,217,052
Net book value as at 30 June 2022	53,485	31,526	421	34,320	1,972	81,721	71,341	187,566	1,115	64,522	527,989

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

16 INTANGIBLE ASSETS

The Group	Computer software RM'000	Total RM'000
2023		
Cost		
At 1 July	**868,355**	**868,355**
Additions	**37,156**	**37,156**
Reclassification/Transfer	**77,116**	**77,116**
Disposals/Write off	**(57,397)**	**(57,397)**
Exchange fluctuation	**11,108**	**11,108**
At 30 June	**936,338**	**936,338**
Amortisation and impairment		
At 1 July	**563,606**	**563,606**
Amortisation during the financial year	**58,132**	**58,132**
Reclassification/Transfer	**(65)**	**(65)**
Disposals/Write off	**(54,783)**	**(54,783)**
Exchange fluctuation	**7,013**	**7,013**
At 30 June	**573,903**	**573,903**
Net book value as at 30 June 2023	**362,435**	**362,435**

The Group	Computer software RM'000	Total RM'000
2022		
Cost		
At 1 July	762,502	762,502
Additions	35,442	35,442
Reclassification	79,851	79,851
Disposals/Write off	(14,588)	(14,588)
Exchange fluctuation	5,148	5,148
At 30 June	868,355	868,355
Amortisation and impairment		
At 1 July	520,185	520,185
Amortisation during the financial year	53,962	53,962
Disposals/Write off	(13,851)	(13,851)
Exchange fluctuation	3,310	3,310
At 30 June	563,606	563,606
Net book value as at 30 June 2022	304,749	304,749

Notes to the Financial Statements

for the financial year ended 30 June 2023

16 INTANGIBLE ASSETS (CONTINUED)

The Bank	Computer software RM'000	Total RM'000
2023		
Cost		
At 1 July	**784,389**	**784,389**
Additions	**30,773**	**30,773**
Reclassification/Transfer	**76,092**	**76,092**
Disposals/Write off	**(57,347)**	**(57,347)**
Exchange fluctuation	**7,385**	**7,385**
At 30 June	**841,292**	**841,292**
Amortisation and impairment		
At 1 July	**514,744**	**514,744**
Amortisation during the financial year	**50,869**	**50,869**
Reclassification/Transfer	**(54)**	**(54)**
Disposals/Write off	**(54,741)**	**(54,741)**
Exchange fluctuation	**4,258**	**4,258**
At 30 June	**515,076**	**515,076**
Net book value as at 30 June 2023	**326,216**	**326,216**

The Bank	Computer software RM'000	Total RM'000
2022		
Cost		
At 1 July	697,362	697,362
Additions	27,177	27,177
Reclassification	71,698	71,698
Disposals/Write off	(14,266)	(14,266)
Exchange fluctuation	2,418	2,418
At 30 June	784,389	784,389
Amortisation and impairment		
At 1 July	479,085	479,085
Amortisation during the financial year	48,107	48,107
Disposals/Write off	(13,850)	(13,850)
Exchange fluctuation	1,402	1,402
At 30 June	514,744	514,744
Net book value as at 30 June 2022	269,645	269,645

17 RIGHT-OF-USE ASSETS

The Group	Properties RM'000	Total RM'000
2023		
At 1 July	**211,718**	**211,718**
Depreciation charge for the financial year	**(48,456)**	**(48,456)**
Modification	**(6,387)**	**(6,387)**
Addition	**23,613**	**23,613**
Disposals	**(8,934)**	**(8,934)**
Exchange fluctuation	**4,392**	**4,392**
At 30 June	**175,946**	**175,946**

The Group	Properties RM'000	Total RM'000
2022		
At 1 July	214,726	214,726
Depreciation charge for the financial year	(50,119)	(50,119)
Modification	990	990
Addition	56,084	56,084
Disposals	(10,478)	(10,478)
Exchange fluctuation	515	515
At 30 June	211,718	211,718

17 RIGHT-OF-USE ASSETS (CONTINUED)

The Bank	Properties RM'000	Total RM'000
2023		
At 1 July	**321,446**	**321,446**
Depreciation charge for the financial year	**(71,556)**	**(71,556)**
Modification	**(6,133)**	**(6,133)**
Addition	**22,520**	**22,520**
Disposals	**(8,091)**	**(8,091)**
Exchange fluctuation	**3,122**	**3,122**
At 30 June	**261,308**	**261,308**

The Bank	Properties RM'000	Total RM'000
2022		
At 1 July	344,387	344,387
Depreciation charge for the financial year	(73,875)	(73,875)
Modification	(2,255)	(2,255)
Addition	63,587	63,587
Disposals	(10,478)	(10,478)
Exchange fluctuation	80	80
At 30 June	321,446	321,446

18 GOODWILL

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cost				
As at 1 July/30 June	**1,831,312**	1,831,312	**1,771,547**	1,771,547

18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personal Financial Services	**1,188,705**	1,188,705	**1,149,911**	1,149,911
Business & Corporate Banking	**479,437**	479,437	**463,791**	463,791
Global Markets	**163,170**	163,170	**157,845**	157,845
	1,831,312	1,831,312	**1,771,547**	1,771,547

Impairment test for goodwill

The recoverable amount of CGUs is determined based on value-in-use calculations. Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the 2024 financial budget, which is approved by the Board of Directors with a further projection of 3 years (2022: 3 years). Cash flows beyond the 4 years period are extrapolated using an estimated growth rate of 4.2% (2022: 4.4%) representing the forecasted Gross Domestic Product growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2023 %	2022 %
Personal Financial Services	**11.66**	9.72
Business & Corporate Banking	**11.79**	9.79
Global Markets	**11.91**	9.96

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2023. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value of any CGU to exceed its recoverable amount.

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets	**410,436**	528,771	**317,985**	403,666

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets				
- To be recovered within 12 months	**341,317**	365,178	**274,767**	288,329
- To be recovered after more than 12 months	**69,119**	163,593	**43,218**	115,337
	410,436	528,771	**317,985**	403,666

19 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows:

The Group	Note	Property and equipment and right-of-use assets RM'000	Financial instruments at FVOCI RM'000	Cash flow hedge reserve RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/(liabilities)							
2023							
At 1 July		**(70,460)**	**235,181**	**88**	**248,106**	**115,856**	**528,771**
Charged to statements of income	41	**(8,512)**	**-**	**-**	**(10,389)**	**(11,169)**	**(30,070)**
Charged to equity	43	**-**	**(88,233)**	**(88)**	**-**	**-**	**(88,321)**
Exchange difference		**(455)**	**868**	**-**	**139**	**(496)**	**56**
At 30 June		**(79,427)**	**147,816**	**-**	**237,856**	**104,191**	**410,436**
2022							
At 1 July		(63,626)	(18,620)	1,905	249,546	106,465	275,670
(Charged)/Credited to statements of income	41	(6,781)	-	-	(1,550)	9,264	933
Credited/(Charged) to equity	43	-	253,840	(1,817)	-	-	252,023
Exchange difference		(53)	(39)	-	110	127	145
At 30 June		(70,460)	235,181	88	248,106	115,856	528,771

Notes to the Financial Statements

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19 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

The Bank	Note	Property and equipment and right-of-use assets RM'000	Financial instruments at FVOCI RM'000	Cash flow hedge reserve RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/(liabilities)							
2023							
At 1 July		**(68,985)**	**185,509**	**88**	**177,197**	**109,857**	**403,666**
(Charged)/Credited to statements of income	41	**(8,140)**	**-**	**-**	**582**	**(12,030)**	**(19,588)**
Charged to equity	43	**-**	**(66,391)**	**(88)**	**-**	**-**	**(66,479)**
Exchange difference		**(482)**	**868**	**-**	**-**	**-**	**386**
At 30 June		**(77,607)**	**119,986**	**-**	**177,779**	**97,827**	**317,985**
2022							
At 1 July		(62,114)	(32,129)	1,905	176,758	99,093	183,513
(Charged)/Credited to statements of income	41	(6,738)	-	-	439	10,764	4,465
Credited/(Charged) to equity	43	-	217,677	(1,817)	-	-	215,860
Exchange difference		(133)	(39)	-	-	-	(172)
At 30 June		(68,985)	185,509	88	177,197	109,857	403,666

20 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortised cost				
Fixed deposits	**112,228,229**	93,856,333	**82,199,282**	68,772,681
Negotiable instruments of deposits	**10,914,720**	8,626,532	**7,472,536**	6,299,840
Short-term placements	**19,449,279**	26,244,055	**15,682,791**	22,181,987
	142,592,228	128,726,920	**105,354,609**	97,254,508
Demand deposits	**42,617,712**	41,279,128	**35,491,124**	35,060,757
Savings deposits	**22,479,000**	24,771,649	**18,473,887**	20,420,243
Others	**398,549**	449,369	**255,610**	287,918
	208,087,489	195,227,066	**159,575,230**	153,023,426
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**3,874,742**	2,425,376	**3,430,059**	2,325,345
Fair value changes arising from designation at fair value through profit or loss *	**(310,412)**	(359,983)	**(272,341)**	(341,467)
	3,564,330	2,065,393	**3,157,718**	1,983,878
	211,651,819	197,292,459	**162,732,948**	155,007,304

* The Group and the Bank have issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. 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.

The carrying amount of the structured deposits of the Group is RM292,750,000 (2022: RM353,117,000) lower than the contractual amount at maturity and the Bank is RM255,672,000 (2022: RM334,632,000) lower than the contractual amount at maturity.

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

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Due within:				
- six months	**119,505,166**	103,914,125	**87,245,822**	77,555,688
- six months to one year	**20,115,668**	20,170,955	**16,140,440**	16,272,452
- one year to five years	**2,196,854**	3,835,461	**1,204,005**	2,633,850
- more than five years	**774,540**	806,379	**764,342**	792,518
	142,592,228	128,726,920	**105,354,609**	97,254,508

Notes to the Financial Statements

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20 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) The deposits are sourced from the following customers:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Government and statutory bodies	**4,821,242**	3,149,204	**1,041,589**	532,038
Business enterprises	**99,971,567**	92,431,255	**75,325,101**	71,326,600
Individuals	**104,615,970**	99,404,508	**84,671,220**	81,309,351
Others	**2,243,040**	2,307,492	**1,695,038**	1,839,315
	211,651,819	197,292,459	**162,732,948**	155,007,304

21 INVESTMENT ACCOUNTS OF CUSTOMERS

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

21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(i) Movement in the investment account holder

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2023		
At 1 July	**2,659,311**	**9,097**
Funding inflows/(outflows)		
New placement/Renewal during the year	**11,645,422**	**1,316**
Redemption during the year	**(12,068,129)**	**(9,097)**
	2,236,604	**1,316**
Profit payable to Investment Account Holder	**12,627**	**(34)**
At 30 June	**2,249,231**	**1,282**
2022		
At 1 July	1,145,154	-
Funding inflows/(outflows)		
New placement/Renewal during the year	5,730,758	10,262
Redemption during the year	(4,226,969)	(236)
	2,648,943	10,026
Profit payable to Investment Account Holder	10,368	(929)
At 30 June	2,659,311	9,097

Notes to the Financial Statements

for the financial year ended 30 June 2023

21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(i) Movement in the investment account holder (continued)

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2023		
Investment Asset		
House financing	**580,926**	**-**
Term financing	**1,115,411**	**-**
Personal financing	**268,392**	**-**
Cash and cash equivalent	**271,875**	**-**
Unit trusts	**-**	**1,316**
Total investment	**2,236,604**	**1,316**
2022		
Investment Asset		
House financing	688,725	-
Term financing	1,323,448	-
Personal financing	317,873	-
Cash and cash equivalent	318,897	-
Unit trusts	-	10,026
Total investment	2,648,943	10,026

(ii) Profit Sharing Ratio ("PSR") and Rate of Return ("ROR"):

The Group	2023		2022	
	Average PSR %	Average ROR %	Average PSR %	Average ROR %
Unrestricted investment accounts:				
- 1 Month	**85**	**2.88**	85	2.16
- 2 Months	**85**	**3.04**	85	2.19
- 3 Months	**85**	**3.64**	85	2.18
- 4 Months	**85**	**3.18**	85	2.20
- 6 Months	**84**	**3.88**	83	2.35
- 12 Months	**82**	**3.27**	84	2.56

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Licensed banks	**7,866,784**	4,742,649	**6,564,588**	3,617,792
Licensed investment banks	**230,021**	-	**230,021**	-
Central banks (Note)	**1,497,021**	1,579,601	**1,474,882**	1,557,628
	9,593,826	6,322,250	**8,269,491**	5,175,420

Note:
Deposits and placements from central banks includes monies received by the Group and the Bank under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,497,021,000 (2022: RM1,579,601,000) and RM1,474,882,000 (2022: RM1,557,628,000) respectively at concession rates.

23 LEASE LIABILITIES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Lease liabilities	**178,928**	210,981	**269,713**	325,365
Scheduled repayment of lease liabilities				
- Not later than one year	**39,773**	40,790	**66,654**	64,213
- Later than one year and not later than five years	**107,561**	129,456	**169,023**	216,891
- Later than five years	**31,594**	40,735	**34,036**	44,261
	178,928	210,981	**269,713**	325,365

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for the financial year ended 30 June 2023

24 OTHER LIABILITIES

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
Zakat		**350**	350	**-**	-
Post employment benefits obligation					
- defined contribution plan		**300**	278	**300**	278
Loan advance payment		**3,666,443**	3,829,956	**3,016,782**	3,120,374
Amount due to subsidiary companies		**-**	-	**432,107**	432,107
Treasury and cheque clearing		**204,026**	128,773	**123,742**	96,711
Cash collateral pledged for derivative transactions		**298,332**	213,260	**299,063**	213,260
Sundry creditors and accruals		**418,352**	348,272	**401,350**	331,414
Provision for bonus and staff related expenses		**170,302**	179,683	**157,584**	166,171
Expected credit losses on financial guarantee contracts	(a)	**8,110**	3,657	**7,413**	3,352
Provision for reinstatement cost		**21,137**	21,911	**26,360**	27,160
Settlement accounts		**889,467**	824,436	**885,337**	824,144
Others		**269,231**	199,774	**216,712**	177,888
		5,946,050	5,750,350	**5,566,750**	5,392,859

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**3,116**	**541**	**-**	**3,657**
Changes in ECL due to transfer within stages	**(4)**	**4**	**-**	**-**
Transfer to Stage 1	**41**	**(41)**	**-**	**-**
Transfer to Stage 2	**(45)**	**45**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
New financial assets originated	**8,386**	**-**	**-**	**8,386**
Financial assets derecognised	**(496)**	**-**	**-**	**(496)**
Changes due to change in credit risk	**(4,839)**	**833**	**-**	**(4,006)**
Exchange difference	**555**	**14**	**-**	**569**
At 30 June	**6,718**	**1,392**	**-**	**8,110**

24 OTHER LIABILITIES (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	15	(199)	184	-
Transfer to Stage 1	70	(70)	-	-
Transfer to Stage 2	(55)	55	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	170	-	-	170
Financial assets derecognised	(1,143)	(4)	-	(1,147)
Changes due to change in credit risk	647	(425)	(184)	38
Changes in models/risk parameters	(92)	(38)	-	(130)
Exchange difference	141	22	-	163
At 30 June	3,116	541	-	3,657

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	**2,849**	**503**	**-**	**3,352**
Changes in ECL due to transfer within stages	**(1)**	**1**	**-**	**-**
Transfer to Stage 1	**28**	**(28)**	**-**	**-**
Transfer to Stage 2	**(29)**	**29**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
New financial assets originated	**8,386**	**-**	**-**	**8,386**
Financial assets derecognised	**(496)**	**-**	**-**	**(496)**
Changes due to change in credit risk	**(5,237)**	**844**	**-**	**(4,393)**
Exchange difference	**550**	**14**	**-**	**564**
At 30 June	**6,051**	**1,362**	**-**	**7,413**

24 OTHER LIABILITIES (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	1,979	1,169	-	3,148
Changes in ECL due to transfer within stages	20	(204)	184	-
Transfer to Stage 1	69	(69)	-	-
Transfer to Stage 2	(49)	49	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	122	-	-	122
Financial assets derecognised	(57)	(4)	-	(61)
Changes due to change in credit risk	712	(443)	(184)	85
Changes in models/risk parameters	(66)	(37)	-	(103)
Exchange difference	139	22	-	161
At 30 June	2,849	503	-	3,352

25 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans sold directly to Cagamas with recourse to the Group and the Bank. Under this agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

26 TIER 2 SUBORDINATED BONDS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
RM1.5 billion Tier 2 subordinated notes, at par	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Add: Interest payable	**2,661**	2,236	**2,661**	2,236
	1,502,661	1,502,236	**1,502,661**	1,502,236
Less: Unamortised discounts	**(911)**	(30)	**(911)**	(30)
	1,501,750	1,502,206	**1,501,750**	1,502,206

On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

On 26 June 2023, HLB had fully redeemed the RM500.0 million nominal value of this Sub Notes.

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion 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 RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

On 19 June 2023, the Bank issued a fourth tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 19 June 2028 (and thereafter) and due on 17 June 2033 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this fourth tranche of the Sub Notes is 4.20% per annum, which is payable semi-annually in arrears from the date of the issue.

27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
RM1.7 billion Multi-currency Additional Tier-1 and Additional Tier-1 Green capital securities, at par	**1,700,000**	1,700,000	**1,700,000**	1,700,000
Add: Interest payable	**15,902**	13,574	**15,902**	13,574
	1,715,902	1,713,574	**1,715,902**	1,713,574
Less: Unamortised discounts	**(1,508)**	(1,161)	**(1,508)**	(1,161)
Add: Fair value changes arising from fair value hedges	**5,115**	3,282	**5,115**	3,282
	1,719,509	1,715,695	**1,719,509**	1,715,695

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("Capital Securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, HLFG. The Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

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

On 29 March 2019, the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

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

On 14 October 2022, the Bank issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("HLB Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The HLB Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 4.70% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and as updated from time to time and for the refinancing of an existing tranche of RM400.0 million in nominal value of HLB Capital Securities issued previously under the HLB AT1 Programme on 30 November 2017.

28 SHARE CAPITAL

	The Group and The Bank			
	2023		2022	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At 1 July/30 June - ordinary shares with no par value	**2,167,718**	**7,739,063**	2,167,718	7,739,063

29 RESERVES

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
Retained profits	(a)	**25,017,703**	22,727,982	**15,727,832**	15,120,482
Other reserves:					
Share options reserve	(b)	**33,206**	58,181	**33,206**	58,181
Fair value reserve	(c)				
- Financial investments at FVOCI		**(477,814)**	(795,491)	**(406,932)**	(612,556)
Exchange fluctuation reserve	(d)	**1,381,199**	1,318,819	**376,631**	271,093
Cash flow hedge reserve	(e)	**-**	(274)	**-**	(274)
Regulatory reserves	(f)	**1,002,061**	654,386	**825,318**	536,432
		1,938,652	1,235,621	**828,223**	252,876
		26,956,355	23,963,603	**16,556,055**	15,373,358

(a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

(b) The share options reserve arose from share options and ordinary shares granted to eligible executives of the Bank pursuant to the Bank's ESS. Terms of the Bank's ESS are disclosed in Note 55 to the financial statements.

29 RESERVES (CONTINUED)

(c) Movement of the fair value reserve is as follows:

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 July		**(795,491)**	115,212	**(612,556)**	166,517
Equity instruments					
- Net fair value changes		**14,264**	14,286	**14,264**	14,286
Debt instruments					
- Net fair value changes		**432,963**	(1,094,755)	**284,025**	(943,700)
- Changes in expected credit losses		**285**	(537)	**283**	(542)
Reclassification to net profit on disposal and impairment		**(26,557)**	(66,794)	**(26,557)**	(66,794)
Deferred taxation	43	**(88,233)**	253,840	**(66,391)**	217,677
Share of fair value reserve of associated company		**(15,045)**	(16,743)	**-**	-
Net change in fair value reserve		**317,677**	(910,703)	**205,624**	(779,073)
At 30 June		**(477,814)**	(795,491)	**(406,932)**	(612,556)

(d) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries and associated companies are recognised in exchange fluctuation reserve.

(e) Cash flow hedge reserve arises from cash flow hedge activities undertaken by the Bank to hedge the changes in the cash flow of customer deposits arising from the movement of market interest rates. The reserve is non-distributable and has been reversed to the statements of income during the financial year ended 30 June 2023 following the maturity of the cash flow hedge.

(f) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 July 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

During the financial year, an amount of RM347.7 million at Group and RM288.9 million at Bank respectively have been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2022: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

30 TREASURY SHARES

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of own shares pursuant to Section 127, Companies Act 2016	(a)	**431,829**	431,829	**431,829**	431,829
Treasury shares for ESS	(b)	**276,937**	281,861	**276,937**	281,861
		708,766	713,690	**708,766**	713,690

(a) Purchase of own shares pursuant to Section 127 of the Companies Act 2016

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 23 October 2013, had approved the Bank's plan to purchase its own shares up to 10% of the issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

As at 30 June 2023, the total number of shares bought was 81,101,700 (2022: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

There was no resale or cancellation of treasury shares during the financial year. The number of issued shares with voting rights as at 30 June 2023 after deducting treasury shares purchased is 2,086,616,584 shares (2022: 2,086,616,584). Treasury shares have no rights to vote nor participation in dividends or other distribution.

(b) Treasury shares for ESS

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

During the financial year ended 30 June 2023, a total of 668,524 ordinary shares were vested and transferred pursuant to the Bank's ESS. As at 30 June 2023, the total number of shares held was 37,596,086 (2022: 38,264,610).

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for the financial year ended 30 June 2023

31a INTEREST INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loans, advances and financing	**5,566,975**	4,127,244	**5,259,695**	3,898,648
Money at call and deposit placements with financial institutions	**245,954**	88,013	**299,163**	111,716
Securities purchased under resale agreements	**867**	758	**867**	758
Financial investments at FVOCI	**871,880**	669,165	**871,573**	672,355
Financial investments at amortised cost	**669,395**	619,506	**668,660**	618,725
Others	**15,383**	1,010	**15,068**	991
	7,370,454	5,505,696	**7,115,026**	5,303,193
Accretion of discount less amortisation of premium	**(7,961)**	(143,093)	**(7,961)**	(143,093)
Interest income earned on impaired loans, advances and financing during the financial year	**41,342**	26,008	**40,548**	25,950

31b INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets at FVTPL	**160,370**	217,168	**160,370**	217,168

32 INTEREST EXPENSE

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits and placements of banks and other financial institutions	**370,036**	79,316	**405,917**	93,136
Deposits from customers	**2,667,726**	1,572,067	**2,508,100**	1,478,074
Short-term placements	**622,833**	178,631	**622,833**	178,631
Tier 2 subordinated bonds	**66,958**	66,600	**66,958**	66,600
Multi-currency Additional Tier-1 capital securities	**81,186**	46,315	**81,255**	46,481
Recourse obligation on loans sold to Cagamas	**29,263**	15,450	**29,263**	15,450
Others	**8,737**	9,154	**13,251**	14,785
	3,846,739	1,967,533	**3,727,577**	1,893,157

33 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds and others	**1,894,039**	1,409,048
Income derived from investment of shareholders' funds	**259,365**	168,618
Income derived from investment of investment account	**118,629**	68,451
Income attributable to depositors	**(1,229,550)**	(702,907)
Income attributable to depositors on investment account	**(79,115)**	(38,425)
	963,368	904,785
Financing income earned on impaired financing and advances during the financial year	**6,556**	3,417

34 FINANCIAL EFFECTS OF LOSS FROM THE MODIFICATION OF CASH FLOWS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loss on modification of cash flow				
included in interest income (Note 31a)	**-**	(27,472)	**-**	(27,472)
included in income from Islamic Banking business (Note 33)	**-**	(17,944)	**-**	-
Total	**-**	(45,416)*	**-**	(27,472)*

* The Group and the Bank supported its customers impacted by the COVID-19 pandemic by providing targeted assistance to customers through various government support measures such as PEMULIH and URUS. As a result, the Group and the Bank recognised a loss from the modification of cash flows of the loan/financing.

Notes to the Financial Statements

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35 NON-INTEREST INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fee income				
Commissions	**185,374**	201,496	**182,954**	198,888
Service charges and fees	**38,491**	37,999	**37,434**	37,151
Guarantee fees	**27,807**	15,913	**27,684**	15,723
Credit card related fees	**210,975**	193,684	**210,975**	193,684
Commitment fees	**37,124**	36,696	**35,603**	35,236
Fee on loans, advances and financing	**50,576**	49,760	**42,517**	37,589
Other fee income	**48,506**	74,115	**48,100**	73,823
	598,853	609,663	**585,267**	592,094
Net income from securities				
Net realised gain/(loss) on financial instruments:				
- Financial assets at FVTPL	**85,177**	(58,657)	**86,447**	(59,239)
- Derivative financial instruments	**(53,230)**	20,792	**(55,103)**	19,328
- Financial investments at FVOCI	**34,943**	87,887	**34,943**	87,887
Dividend income from:				
- Subsidiary companies	**-**	-	**330**	36,800
- Associated companies	**-**	-	**5,992**	334,115
- Financial assets at FVTPL	**88,826**	101,001	**89,277**	102,768
- Financial investments at FVOCI	**2,175**	406	**2,175**	406
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	**(5,403)**	208,290	**(6,631)**	207,569
- Derivative financial instruments	**111,379**	100,366	**112,433**	99,238
Net realised gain/(loss) on fair value changes arising from fair value hedges	**8,265**	(7,489)	**8,265**	(7,489)
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	**853**	(2,141)	**853**	(2,141)
	272,985	450,455	**278,981**	819,242
Other income				
Foreign exchange gain/(loss)	**144,564**	(143,943)	**143,357**	(146,510)
Rental income	**17,042**	16,162	**8,846**	9,063
Gain on disposal of property and equipment	**233**	1,555	**138**	1,458
Other non-operating income	**4,379**	3,400	**4,010**	3,099
	166,218	(122,826)	**156,351**	(132,890)
	1,038,056	937,292	**1,020,599**	1,278,446

36 OVERHEAD EXPENSES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personnel costs	**1,202,989**	1,153,764	**939,249**	914,252
Establishment costs	**532,023**	520,575	**446,877**	445,199
Marketing expenses	**195,975**	171,471	**169,153**	148,190
Administration and general expenses	**302,295**	252,566	**298,784**	249,088
	2,233,282	2,098,376	**1,854,063**	1,756,729

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries.

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries, bonus and allowances	**1,140,724**	1,076,567	**892,446**	849,983
Medical expenses	**31,483**	29,978	**24,982**	24,249
Training and convention expenses	**16,794**	14,658	**14,047**	12,880
Staff welfare	**9,507**	12,096	**7,476**	9,920
Other employees benefits	**4,481**	20,465	**298**	17,220
	1,202,989	1,153,764	**939,249**	914,252

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Depreciation of property and equipment	**110,039**	121,499	**92,850**	103,137
Depreciation of right-of-use assets	**48,456**	50,119	**71,556**	73,875
Amortisation of intangible assets	**58,132**	53,962	**50,869**	48,107
Rental of premises	**2,438**	2,090	**2,237**	2,317
Information technology expenses	**226,163**	210,468	**189,586**	181,991
Security services	**20,937**	19,354	**15,705**	14,482
Electricity, water and sewerage	**21,546**	20,797	**16,101**	15,845
Hire of plant and machinery	**13,671**	12,575	**2,889**	1,342
Others	**30,641**	29,711	**5,084**	4,103
	532,023	520,575	**446,877**	445,199

Notes to the Financial Statements

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36 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Advertisement and publicity	**31,092**	29,175	**27,926**	26,713
Sales commission and credit card related fees	**146,393**	127,692	**127,933**	111,541
Others	**18,490**	14,604	**13,294**	9,936
	195,975	171,471	**169,153**	148,190

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Teletransmission expenses	**20,410**	21,541	**19,858**	21,019
Stationery and printing expenses	**10,579**	11,001	**10,006**	10,470
Professional fees	**108,835**	93,378	**103,857**	89,707
Insurance fees	**45,365**	33,438	**37,928**	28,443
Stamp, postage and courier	**13,948**	14,227	**13,650**	13,924
Travelling and transport expenses	**3,533**	2,711	**2,718**	2,179
Registration and license fees	**8,774**	8,805	**7,562**	7,638
Brokerage and commission	**11,926**	10,981	**7,700**	6,791
Credit card fees	**74,168**	48,527	**74,168**	48,527
Others	**4,757**	7,957	**21,337**	20,390
	302,295	252,566	**298,784**	249,088

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Auditors' remuneration:				
Malaysian firm				
- statutory audit	**2,210**	2,025	**1,975**	1,778
- regulatory related fees	**908**	390	**602**	275
- tax compliance	**70**	67	**43**	41
- other services	**255**	250	**255**	250
PwC overseas affiliated firms				
- statutory audit	**1,052**	731	**771**	596
- regulatory related fees	**223**	194	**223**	194
- tax compliance	**101**	93	**101**	93
Loss on disposal of property and equipment	**5**	3	**5**	3
Property and equipment disposal/written off	**1,134**	722	**727**	629
Intangible assets disposal/written off	**2,614**	737	**2,606**	416

37 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Allowance for impairment losses on loans, advances and financing:				
- expected credit losses	**343,095**	393,506	**176,517**	151,453
Impaired loans, advances and financing:				
- written off	**29,519**	20,038	**22,962**	13,893
- recovered from bad debt written off	**(257,232)**	(249,970)	**(211,015)**	(212,302)
	115,382	163,574	**(11,536)**	(46,956)

38 WRITTEN BACK OF IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER ASSETS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Expected credit losses and impairment losses on:				
- Financial investments at FVOCI	**184**	(613)	**185**	(620)
- Financial investments at amortised cost	**(53)**	(1)	**-**	(24)
- Cash and short-term funds	**(155)**	85	**(114)**	435
- Deposits and placements with banks and other financial institutions	**(282)**	(322)	**(3,039)**	(182)
	(306)	(851)	**(2,968)**	(391)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) Hume Cement Sdn Bhd Hume Construction Sdn Bhd Hume Plastics (Malaysia) Sdn Berhad Hume Quarry (Sarawak) Sdn Bhd Hongvilla Development Sdn Bhd HIMB Overseas Limited HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 13	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 14	Associated companies of the Group
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and nine members of senior management of the Bank
Related parties of key management personnel deemed as related to the Bank	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances

The Group	Parent company RM'000	Other related companies RM'000	Associated companies RM'000	Key management personnel RM'000
2023				
Income				
Interest:				
- loans	-	3,203	-	145
- redeemable preference shares	-	3,037	-	-
Commitment fee and bank charges	-	-	-	39
Dividend income	-	79,457	-	-
Commission on Group products/services sold	-	54,817	-	-
Brokerage commission	-	99	-	-
Reimbursement of shared service cost	511	10,775	-	-
	511	151,388	-	184
Expenditure				
Rental and maintenance	-	15,050	-	-
Insurance	54	37,150	-	-
Interest on current accounts and fixed deposits	-	2,578	-	1,913
Interest on short-term placements	44	10,917	-	4,093
Interest on subordinated notes and capital securities	-	3,990	-	-
Management fees	6,729	45,924	-	-
Other miscellaneous expenses	3,134	8,357	-	-
	9,961	123,966	-	6,006
Amounts due from				
Current accounts	-	-	21,715	-
Redeemable preference shares	-	25,000	-	-
Loans	-	35,172	-	3,105
Wholesale funds	-	1,307,176	-	-
Derivative assets	-	136,668	-	-
Credit card balances	-	-	-	699
Advance rental and deposit	-	2,530	-	-
Others	-	146	-	-
	-	1,506,692	21,715	3,804
Amounts due to				
Current accounts and fixed deposits	-	42,604	-	136,665
Short-term placements	2,501	395,423	-	93,429
Subordinated notes and capital securities	-	95,000	-	-
Derivative liabilities	-	10,149	-	-
Others	278	1,192	-	-
	2,779	544,368	-	230,094
Commitments and contingencies				
Derivative related contracts	-	1,893,395	-	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Group	Parent company RM'000	Other related companies RM'000	Associated companies RM'000	Key management personnel RM'000
2022				
Income				
Interest:				
- loans	-	3,446	-	78
- redeemable preference shares	-	132	-	-
Commitment fee and bank charges	-	-	-	24
Dividend income	-	89,174	-	-
Commission on Group products/services sold	-	46,292	-	-
Brokerage commission	-	1,357	-	-
Reimbursement of shared service cost	662	10,065	-	-
	662	150,466	-	102
Expenditure				
Rental and maintenance	-	14,095	-	-
Insurance	65	35,492	-	-
Interest on current accounts and fixed deposits	-	1	-	218
Interest on short-term placements	58	3,755	-	2,340
Interest on subordinated notes and capital securities	-	200	-	-
Management fees	4,859	41,842	-	-
Other miscellaneous expenses	285	6,947	-	-
	5,267	102,332	-	2,558
Amounts due from				
Current accounts	-	-	21,809	-
Redeemable preference shares	-	25,000	-	-
Loans	-	87,745	-	3,718
Wholesale funds	-	2,776,857	-	-
Derivative assets	-	124,149	-	-
Credit card balances	-	-	-	407
Advance rental and deposit	-	5,756	-	-
Others	115	261	-	-
	115	3,019,768	21,809	4,125
Amounts due to				
Current accounts and fixed deposits	-	25,817	-	31,368
Short-term placements	17,504	258,619	-	148,466
Subordinated notes and capital securities	-	24,993	-	-
Derivative liabilities	-	10,849	-	-
Others	-	15,751	-	-
	17,504	336,029	-	179,834
Commitments and contingencies				
Derivative related contracts	-	1,954,308	-	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2023					
Income					
Interest:					
- loans	-	11,870	-	3,203	145
- interbank placements	-	51,498	-	-	-
- current accounts	-	-	325	-	-
- redeemable preference shares	-	-	-	3,037	-
- subordinated facilities	-	6,089	-	-	-
Dividend income	-	330	5,992	79,457	-
Commitment fee and bank charges	-	-	-	-	39
Commission on Group products/ services sold	-	-	-	54,817	-
Brokerage commission	-	-	-	99	-
Reimbursement of shared service cost	511	231,599	-	10,775	-
	511	301,386	6,317	151,388	184
Expenditure					
Rental and maintenance	-	921	-	15,050	-
Insurance	54	-	-	37,150	-
Interest on current accounts and fixed deposits	-	1,153	-	1	1,859
Interest on short-term placements	44	-	-	10,917	4,093
Interest on lease liabilities	-	4,851	-	-	-
Interest on interbank placements	-	32,403	-	-	-
Interest on subordinated notes and capital securities	-	-	-	3,990	-
Management fees	6,729	-	-	45,924	-
Other miscellaneous expenses	3,134	2,930	-	8,357	-
	9,961	42,258	-	121,389	5,952

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for the financial year ended 30 June 2023

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2023					
Amounts due from					
Interbank placements	-	560,622	-	-	-
Current accounts	-	-	21,715	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	287,774	-	35,172	3,105
Right-of-use assets	-	94,149	-	-	-
Wholesale funds	-	-	-	1,380,727	-
Credit card balances	-	-	-	-	699
Derivative assets	-	69,236	-	136,668	-
Advance rental and deposit	-	8,783	-	2,530	-
Intercompany settlement	-	143,532	-	-	-
Others	-	330	-	146	-
	-	1,164,426	21,715	1,580,243	3,804
Amounts due to					
Interbank placements	-	850,156	-	-	-
Current accounts and fixed deposits	-	53,823	-	42,604	134,013
Short-term placements	2,501	-	-	395,423	93,429
Subordinated notes and capital securities	-	-	-	95,000	-
Derivative liabilities	-	13,213	-	10,149	-
Lease liabilities	-	102,688	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Intercompany settlement	-	432,107	-	-	-
Others	-	-	-	122	-
	2,501	1,458,927	-	543,298	227,442
Commitments and contingencies					
Derivative related contracts	-	2,075,506	-	1,893,395	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2022					
Income					
Interest:					
- loans	-	9,223	-	3,446	78
- interbank placements	-	11,543	-	-	-
- current accounts	-	-	329	-	-
- negotiable instruments of deposits	-	3,502	-	-	-
- redeemable preference shares	-	-	-	132	-
- subordinated facilities	-	2,914	-	-	-
Dividend income	-	36,800	334,115	89,174	-
Commitment fee and bank charges	-	-	-	-	24
Commission on Group products/ services sold	-	-	-	46,292	-
Brokerage commission	-	-	-	1,357	-
Reimbursement of shared service cost	662	209,376	-	10,065	-
	662	273,358	334,444	150,466	102
Expenditure					
Rental and maintenance	-	918	-	14,053	-
Insurance	65	-	-	35,492	-
Interest on current accounts and fixed deposits	-	840	-	1	164
Interest on short-term placements	58	-	-	3,755	2,340
Interest on lease liabilities	-	5,995	-	-	-
Interest on interbank placements	-	3,174	-	-	-
Interest on subordinated notes and capital securities	-	-	-	200	-
Management fees	4,859	-	-	41,842	-
Other miscellaneous expenses	285	536	-	6,947	-
	5,267	11,463	-	102,290	2,504

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for the financial year ended 30 June 2023

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2022					
Amounts due from					
Interbank placements	-	2,844,303	-	-	-
Current accounts	-	-	21,809	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	295,929	-	87,745	3,718
Right-of-use assets	-	123,664	-	-	-
Wholesale funds	-	-	-	2,859,384	-
Credit card balances	-	-	-	-	407
Derivative assets	-	29,775	-	124,149	-
Advance rental and deposit	-	8,783	-	5,756	-
Intercompany settlement	-	90,809	-	-	-
Others	115	301	-	261	-
	115	3,393,564	21,809	3,102,295	4,125
Amounts due to					
Interbank placements	-	698,484	-	-	-
Current accounts and fixed deposits	-	49,186	-	25,817	28,896
Short-term placements	17,504	-	-	258,619	148,466
Subordinated notes and capital securities	-	-	-	24,993	-
Derivative liabilities	-	3,554	-	10,849	-
Lease liabilities	-	126,538	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Intercompany settlement	-	432,107	-	-	-
	17,504	1,316,809	-	320,278	177,362
Commitments and contingencies					
Derivative related contracts	-	983,352	-	1,954,308	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

	The Group and The Bank	
	2023 RM'000	2022 RM'000
The approved limit on loans, advances and financing for key management personnel	**10,544**	12,414

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries and other short-term employee benefits	**43,388**	28,186	**43,388**	28,186
Director fees	**1,581**	1,381	**1,388**	1,198
ESS expenses	**8,190**	14,306	**8,190**	14,306

Included in the above is the Directors' remuneration which is disclosed in Note 40 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No impairment allowances were required in 2023 and 2022 for loans made to key management personnel.

(d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Outstanding credit exposures with connected parties	**3,478,898**	2,629,055	**3,108,181**	2,554,151
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.72%**	1.40%	**2.03%**	1.77%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0000%**	0.0000%	**0.0000%**	0.0000%

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 29 April 2022 are as follows:

The Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on lease liabilities RM'000	Interest on deposits from customers RM'000	Interest on subordinated notes and capital securities RM'000	Rental and maintenance RM'000	Management fees RM'000	Insurance RM'000	Others RM'000
2023								
Malaysia	**-**	**4,851**	**11,995**	**3,990**	**4,934**	**52,308**	**37,126**	**13,963**
Singapore	**-**	**-**	**120**	**-**	**8,127**	**-**	**-**	**12**
Hong Kong	**-**	**-**	**-**	**-**	**2,910**	**345**	**10**	**437**
Vietnam	**25,356**	**-**	**-**	**-**	**-**	**-**	**-**	**6**
Cambodia	**7,047**	**-**	**-**	**-**	**-**	**-**	**68**	**3**
	32,403	**4,851**	**12,115**	**3,990**	**15,971**	**52,653**	**37,204**	**14,421**
2022								
Malaysia	-	5,995	4,413	200	5,735	46,376	35,545	7,364
Singapore	-	-	241	-	6,408	-	-	-
Hong Kong	-	-	-	-	2,828	325	12	373
Vietnam	2,523	-	-	-	-	-	-	-
Cambodia	651	-	-	-	-	-	-	31
	3,174	5,995	4,654	200	14,971	46,701	35,557	7,768

Notes to the Financial Statements
for the financial year ended 30 June 2023

40 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for CEO and all Directors and for the financial year are as follows:

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2023								
CEO								
Mr Domenic Fuda[(1)]	27,129	-	6,173	33,302	27,129	-	6,173	33,302
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee [(2)]	24	130	-	154	24	130	-	154
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah [(3)]	45	311	-	356	45	311	-	356
YBhg Datuk Dr Md Hamzah bin Md Kassim	51	388	-	439	19	195	-	214
Ms Lau Souk Huan	46	332	-	378	46	332	-	378
Ms Cheong Soo Ching	32	256	-	288	32	256	-	288
Puan Fa'izah binti Mohamed Amin [(4)]	14	164	-	178	14	164	-	178
	212[#]	1,581	-	1,793	180[#]	1,388	-	1,568
Directors of subsidiaries	2,588	910	500	3,998	-	-	-	-
Total CEO and Directors' remuneration	29,929	2,491	6,673	39,093	27,309	1,388	6,173	34,870

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

(1) Retired with effect from 30 June 2023
(2) Retired with effect from 1 December 2022
(3) Retired with effect from 21 June 2023
(4) Appointed with effect from 1 September 2022
Directors' meeting allowances

Note: During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the holding company was RM71,250 and the apportioned amount of the said premium paid by the Group and the Bank was RM60,561 and RM51,376 respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2023

40 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION (CONTINUED)

Forms of remuneration in aggregate for CEO and all Directors and for the financial year are as follows: (continued)

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2022								
CEO								
Mr Domenic Fuda	12,525	-	5,514	18,039	12,525	-	5,514	18,039
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee	32	290	-	322	32	290	-	322
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	35	300	-	335	35	300	-	335
YBhg Datuk Dr Md Hamzah bin Md Kassim	35	358	-	393	16	175	-	191
Ms Chong Chye Neo *	11	122	-	133	11	122	-	133
Ms Lau Souk Huan	33	293	-	326	33	293	-	326
Ms Cheong Soo Ching **	1	18	-	19	1	18	-	19
	147#	1,381	-	1,528	128#	1,198	-	1,326
Directors of subsidiaries	2,761	710	96	3,567	-	-	-	-
Total CEO and Directors' remuneration	15,433	2,091	5,610	23,134	12,653	1,198	5,514	19,365

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

* Retired with effect from 21 February 2022
** Appointed with effect from 18 May 2022
\# Directors' meeting allowances

Note: The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the holding company was RM84,550 and the apportioned amount of the said premium paid by the Group and the Bank was RM70,405 and RM58,435 respectively.

41 TAXATION

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income tax:					
- Current year		**818,960**	1,105,607	**656,255**	1,014,643
- Over accrual in prior years		**(40,595)**	(27,157)	**(24,020)**	(25,837)
		778,365	1,078,450	**632,235**	988,806
Deferred tax	19	**30,070**	(933)	**19,588**	(4,465)
Taxation		**808,435**	1,077,517	**651,823**	984,341

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	**4,626,631**	4,366,800	**2,728,859**	3,196,268
Tax calculated at a rate of 24%	**1,110,391**	1,048,032	**654,926**	767,104
Effects of incremental tax rate (Note)	**-**	309,663	**-**	277,372
Tax effects of:				
- Income not subject to tax	**(19,188)**	(39,988)	**(23,822)**	(63,115)
- Share of net income of foreign associated companies	**(309,467)**	(247,318)	**-**	-
- Expenses not deductible for tax purposes	**67,294**	34,285	**44,739**	28,817
Over accrual in prior years	**(40,595)**	(27,157)	**(24,020)**	(25,837)
Taxation	**808,435**	1,077,517	**651,823**	984,341

Note: In order to support the Government's initiative to assist parties affected by the pandemic, for year of assessment ('YA') 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

	The Group	
	2023 RM'000	2022 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements *	**28,248**	28,248

* Under the Malaysian Finance Act 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from YA 2019.

42 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net profit attributable to equity holders	**3,818,196**	3,289,283	**2,077,036**	2,211,927
Weighted average number of ordinary shares in issue ('000)	**2,048,753**	2,048,093	**2,048,753**	2,048,093
Basic earnings per share (sen)	**186.4**	160.6	**101.4**	108.0

Diluted earnings per share

The Bank has two categories of dilutive potential ordinary shares, which are the share options and ordinary shares granted under the ESS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net profit attributable to equity holders	**3,818,196**	3,289,283	**2,077,036**	2,211,927
Weighted average number of ordinary shares in issue ('000)	**2,048,753**	2,048,093	**2,048,753**	2,048,093
- adjustment for ESS	**805**	1,227	**805**	1,227
	2,049,558	2,049,320	**2,049,558**	2,049,320
Diluted earnings per share (sen)	**186.3**	160.5	**101.3**	107.9

43 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	2023			2022		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
The Group						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**406,691**	**(88,233)**	**318,458**	(1,162,086)	253,840	(908,246)
Cash flow hedge						
- net fair value gain/(loss)	**362**	**(88)**	**274**	7,574	(1,817)	5,757
The Bank						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**257,751**	**(66,391)**	**191,360**	(1,011,036)	217,677	(793,359)
Cash flow hedge						
- net fair value gain/(loss)	**362**	**(88)**	**274**	7,574	(1,817)	5,757

Notes to the Financial Statements

for the financial year ended 30 June 2023

44 DIVIDENDS

	The Group and The Bank			
	2023		2022	
	Gross dividends per share sen	Amount of dividends net of tax RM'000	Gross dividends per share sen	Amount of dividends net of tax RM'000
Final dividend paid				
- for financial year ended 30 June 2022	**37.0**	**757,932**	-	-
- for financial year ended 30 June 2021	**-**	**-**	35.2	721,238
Interim dividend paid				
- for financial year ended 30 June 2023	**21.0**	**430,294**	-	-
- for financial year ended 30 June 2022	**-**	**-**	18.0	368,704
	58.0	**1,188,226**	53.2	1,089,942

The Directors have declared a final single tier dividend of 38.0 sen per share in respect of the financial year ended 30 June 2023. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2024.

45 COMMITMENTS AND CONTINGENCIES

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

The notional amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Direct credit substitutes *	**224,515**	137,103	**217,046**	129,077
Certain transaction related contingent items	**2,594,402**	2,024,547	**1,819,394**	1,444,276
Short-term self liquidating trade related contingencies	**1,063,924**	853,412	**849,981**	803,334
Irrevocable commitments to extend credit:				
- maturity more than one year	**17,073,556**	17,538,803	**12,463,084**	12,942,713
- maturity less than one year	**26,457,159**	23,913,907	**21,025,525**	19,450,920
Foreign exchange related contracts: ^				
- less than one year	**63,906,468**	55,995,785	**60,747,086**	51,999,925
- one year to five years	**7,321,941**	5,944,644	**7,321,941**	5,987,312
- over five years	**737,005**	396,495	**737,005**	396,495
Interest rate related contracts: ^				
- less than one year	**45,361,203**	34,692,744	**45,361,203**	34,692,744
- one year to five years	**81,071,444**	52,644,892	**81,492,156**	52,835,368
- over five years	**4,399,525**	4,395,228	**4,291,746**	4,208,323
Equity related contracts: ^				
- less than one year	**487,429**	245,878	**487,429**	245,878
- one year to five years	**668,393**	102,699	**668,393**	102,699
- over five years	**-**	270,542	**-**	270,542
Credit related contracts: ^				
- less than one year	**121,391**	-	**121,391**	-
- over five years	**1,225,853**	938,327	**1,225,853**	938,327
Commodity related contracts:				
- less than one year	**554,082**	438,428	**554,082**	438,428
- one year to five years	**-**	493,416	**-**	493,416
Unutilised credit card lines	**6,902,344**	7,090,121	**6,902,344**	7,090,121
	260,170,634	208,116,971	**246,285,659**	194,469,898

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 10 to the financial statements as derivatives assets or derivatives liabilities.

* Included in direct credit substitutes above are the financial guarantee contracts of RM163,630,721 and RM163,599,720 at Group and Bank, respectively (2022: RM79,527,616 and RM79,527,616 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

Notes to the Financial Statements

for the financial year ended 30 June 2023

46 CAPITAL COMMITMENTS

The capital commitments are in respect of:
- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Authorised and contracted for	**83,867**	88,953	**78,697**	84,718
Authorised but not contracted for	**17,913**	21,785	**14,593**	20,172
	101,780	110,738	**93,290**	104,890

47 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad, respectively. Both companies are incorporated in Malaysia.

48 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Overview and organisation

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Bank's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is supported by the Board Risk Management Committee ("BRMC") in approving the Bank's risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the Group Risk Management ("GRM") function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The core responsibilities of the GRM function is to support line management in identification and management of key and emerging risks for the Bank, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Bank regularly reviews its risk management framework to reflect changes in market, products, regulatory requirements and emerging best market practices.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

The Bank has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Bank's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit Risk Management (continued)

For any new products/product variation, credit risk assessment also forms part of the new product/product variation sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered. In addition, the Bank's credit risk assessment methods are progressively being enhanced to consider the effects of climate-related risks, as well as, its impact on the ability and willingness of customers to honour their credit obligations.

The Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

The Bank's Independent Credit Review function conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Bank's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk is identified, measured and controlled through various types of limits. In addition, the Bank regularly reviews the interest rate outlook and develops strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Bank measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

The Bank also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirements, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group Assets and Liabilities Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Bank has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there are adequate liquidity contingency funds to meet potential shortfalls in the event of a liquidity crisis. Furthermore, the Bank has established a recovery plan framework, which identifies recovery thresholds to be monitored for liquidity, cash outflow and capital-related ratios. The framework also includes governance process for escalation of excess in thresholds and a strategy for the Bank's execution of a suite of recovery options in order to restore long-term viability, in idiosyncratic and system-wide stress events.

Crisis Related Risk Management

Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.

The Bank has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a crisis. The Bank remains cognizant of the need to continuously build and maintain resilience, through close and active monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests our preparedness to navigate through crisis conditions and has subjected its Business Continuity Management ("BCM") plans and processes through challenges based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.

Environment, Social and Governance Risk Management

Environment, Social and Governance ("ESG") Risks are a complex collective action problem that gives rise to financial loss arising from current or prospective impacts of ESG factors. Financial risks may arise from Physical, Transition and Liability Risk which spreads across most key assets of the Bank.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Environment, Social and Governance Risk Management (continued)

The Bank has integrated ESG and sustainability considerations within its business practices to ensure creation of long-term socioeconomic benefits for the communities it serves. The Bank has in place a Sustainability Risk Governance Framework which is aligned to the Bank's overall Risk Management Framework. This provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting ESG risks. The Sustainability Risk Governance Framework acts as a guide for the Bank to adopt pragmatic measures to ensure sustainable value to its stakeholders whilst generating a positive impact to the communities and the environment that the Bank operates in.

The Bank's ESG Policy and Assessment Framework incorporates ESG considerations in the Bank's credit evaluation of its corporate customers as the transition to a low carbon and climate-resilient economy. This framework includes an internal ESG risk rating system and additional guidelines to deal with high-risk sectors such as forestry, metals and mining/ quarrying, non-renewable energy and palm oil.

Although ESG presents risks, the Bank has introduced initiatives that mitigate and adapt to these risks which allows it to capitalise on potential opportunities to enhance resource efficiencies, adopt low-emission energy sources, develop new green products and services, access new markets and further strengthen its resiliency against risks in general.

Recognising the urgency for financial institutions to accelerate efforts to manage climate-related risks, the Bank has established ESG related strategies, practices, processes and procedures to ensure it is able to continue to deliver long-term value to its stakeholders in tandem with ESG related developments and aspirations.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities carried at fair value.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2023				
Increase/(Decrease)				
+100 basis points ('bps')	**105,584**	**(592,562)**	**102,594**	**(509,424)**
-100 bps	**(105,584)**	**592,562**	**(102,594)**	**509,424**
2022				
Increase/(Decrease)				
+100 basis points ('bps')	117,071	(489,276)	121,733	(395,710)
-100 bps	(117,071)	489,276	(121,733)	395,710

Notes to the Financial Statements

for the financial year ended 30 June 2023

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures of the Group and the Bank:

The Group	2023 RM'000	2022 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**(496,728)**	(229,978)
Euro ("EUR")	**42,693**	7,247
Great Britain Pound ("GBP")	**30,143**	3,388
Singapore Dollar ("SGD")	**(119,925)**	(190,659)
Australian Dollar ("AUD")	**(16,118)**	21,696
Chinese Yuan Renminbi ("CNY")	**(16,116)**	(227,065)
Hong Kong Dollar ("HKD")	**(220,890)**	(160,379)
Others	**275,243**	295,445
	(521,698)	(480,305)

The Bank	2023 RM'000	2022 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**(389,951)**	(182,477)
Euro ("EUR")	**47,735**	2,856
Great Britain Pound ("GBP")	**7,070**	(3,697)
Singapore Dollar ("SGD")	**(140,645)**	(191,968)
Australian Dollar ("AUD")	**(26,273)**	19,080
Chinese Yuan Renminbi ("CNY")	**(15,192)**	(243,205)
Hong Kong Dollar ("HKD")	**(228,759)**	(167,819)
Others	**143,121**	241,985
	(602,894)	(525,245)

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows:

The Group	2023 RM'000	2022 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**3,775**	1,748
Euro ("EUR")	**(324)**	(55)
Great Britain Pound ("GBP")	**(229)**	(26)
Singapore Dollar ("SGD")	**911**	1,449
Australian Dollar ("AUD")	**122**	(165)
Chinese Yuan Renminbi ("CNY")	**122**	1,726
Hong Kong Dollar ("HKD")	**1,679**	1,219
Others	**(2,092)**	(2,245)
	3,964	3,651
+1%		
United States Dollar ("USD")	**(3,775)**	(1,748)
Euro ("EUR")	**324**	55
Great Britain Pound ("GBP")	**229**	26
Singapore Dollar ("SGD")	**(911)**	(1,449)
Australian Dollar ("AUD")	**(122)**	165
Chinese Yuan Renminbi ("CNY")	**(122)**	(1,726)
Hong Kong Dollar ("HKD")	**(1,679)**	(1,219)
Others	**2,092**	2,245
	(3,964)	(3,651)

Notes to the Financial Statements

for the financial year ended 30 June 2023

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows: (continued)

The Bank	2023 RM'000	2022 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**2,964**	1,387
Euro ("EUR")	**(363)**	(22)
Great Britain Pound ("GBP")	**(54)**	28
Singapore Dollar ("SGD")	**1,069**	1,459
Australian Dollar ("AUD")	**200**	(145)
Chinese Yuan Renminbi ("CNY")	**115**	1,848
Hong Kong Dollar ("HKD")	**1,739**	1,275
Others	**(1,088)**	(1,839)
	4,582	3,991
+1%		
United States Dollar ("USD")	**(2,964)**	(1,387)
Euro ("EUR")	**363**	22
Great Britain Pound ("GBP")	**54**	(28)
Singapore Dollar ("SGD")	**(1,069)**	(1,459)
Australian Dollar ("AUD")	**(200)**	145
Chinese Yuan Renminbi ("CNY")	**(115)**	(1,848)
Hong Kong Dollar ("HKD")	**(1,739)**	(1,275)
Others	**1,088**	1,839
	(4,582)	(3,991)

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

	The Group 2023 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	6,380,482	-	-	-	-	1,826,321	-	8,206,803
Deposits and placements with banks and other financial institutions	-	280,607	146,781	-	-	9,489	-	436,877
Financial assets at fair value through profit or loss	-	-	-	-	-	1,672,161	3,982,776	5,654,937
Financial investments at fair value through other comprehensive income	1,762,429	2,461,825	1,956,743	26,621,416	730,756	353,501	-	33,886,670
Financial investments at amortised cost	719,795	-	938,218	28,200,667	1,036,012	299,373	-	31,194,065
Loans, advances and financing								
- performing	147,202,285	3,079,387	1,510,768	7,828,961	19,650,706	-	-	179,272,107
- impaired ^	60,276	9,123	6,134	89,603	465,604	-	-	630,740
Other assets	100,381	-	-	-	-	2,233,739	-	2,334,120
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	2,157,911	2,157,911
- hedging derivatives	-	-	-	6,647	3,866	-	-	10,513
Statutory deposits with Central Banks	-	-	-	-	-	3,396,920	-	3,396,920
Total financial assets	**156,225,648**	**5,830,942**	**4,558,644**	**62,747,294**	**21,886,944**	**9,791,504**	**6,140,687**	**267,181,663**

^ This represents outstanding impaired loans after deducting expected credit losses.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2023 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	78,758,174	41,884,491	43,922,638	5,364,619	841,095	40,880,802	-	211,651,819
Investment accounts of customers	448,208	859,166	930,546	-	-	12,593	-	2,250,513
Deposits and placements of banks and other financial institutions	2,800,306	4,945,210	310,766	1,478,344	22,139	37,061	-	9,593,826
Obligations on securities sold under repurchase agreements	2,678,098	4,718,922	-	-	-	2,563	-	7,399,583
Bills and acceptances payable	4,314	29,963	30,168	-	-	146,986	-	211,431
Lease liabilities	3,512	6,785	29,476	107,561	31,594	-	-	178,928
Other liabilities	1,894	434	1,019	183	-	5,635,151	-	5,638,681
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	2,387,851	2,387,851
- hedging derivatives	-	-	-	35	-	-	-	35
Recourse obligation on loans sold to Cagamas	-	-	-	2,950,040	-	22,180	-	2,972,220
Tier 2 subordinated bonds	-	-	1,000,000	499,089	-	2,661	-	1,501,750
Multi-currency Additional Tier 1 Capital Securities	-	-	399,345	1,304,261	-	15,903	-	1,719,509
Total financial liabilities	84,694,506	52,444,971	46,623,958	11,704,132	894,828	46,755,900	2,387,851	245,506,146
Net interest sensitivity gap	71,531,142	(46,614,029)	(42,065,314)	51,043,162	20,992,116			
Financial guarantees	-	-	-	-	-	1,044,877		
Credit related commitments and contingencies	-	-	-	-	-	50,433,059		
Treasury related commitments and contingencies (hedging)	-	-	-	469,048	72,619	-		
Net interest sensitivity gap	-	-	-	469,048	72,619	51,477,936		

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2022 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,777,742	-	-	-	-	1,316,987	-	6,094,729
Deposits and placements with banks and other financial institutions	-	495,601	340,408	-	-	6,497	-	842,506
Financial assets at fair value through profit or loss	-	-	-	-	-	3,136,491	4,107,991	7,244,482
Financial investments at fair value through other comprehensive income	911,016	973,918	853,407	18,497,573	4,661,194	299,195	-	26,196,303
Financial investments at amortised cost	4,170,728	199,952	1,068,147	21,505,181	5,067,716	346,690	-	32,358,414
Loans, advances and financing								
- performing	140,227,950	732,314	1,447,743	8,941,011	14,654,500	-	-	166,003,518
- impaired ^	69,568	5,164	6,489	52,546	350,336	-	-	484,103
Other assets	126,024	-	-	-	-	2,067,938	-	2,193,962
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,852,913	1,852,913
- hedging derivatives	-	-	-	707	9,680	-	-	10,387
Statutory deposits with Central Banks	-	-	-	-	248,512	272,138	-	520,650
Total financial assets	150,283,028	2,406,949	3,716,194	48,997,018	24,991,938	7,445,936	5,960,904	243,801,967

^ This represents outstanding impaired loans after deducting expected credit losses.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2022 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	78,610,597	35,811,228	37,912,562	4,727,875	1,704,736	38,525,461	-	197,292,459
Investment accounts of customers	975,147	1,457,150	226,672	-	-	9,439	-	2,668,408
Deposits and placements of banks and other financial institutions	3,069,668	1,106,265	534,761	1,557,628	21,973	31,955	-	6,322,250
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	-	-	187,726	4,221	-	3,971,304
Bills and acceptances payable	3,044	15,461	11,389	-	-	211,467	-	241,361
Lease liabilities	3,446	6,962	30,382	129,456	40,735	-	-	210,981
Other liabilities	1,894	434	1,019	183	-	5,442,086	-	5,445,616
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,736,364	1,736,364
- hedging derivatives	-	361	-	113	-	-	-	474
Recourse obligation on loans sold to Cagamas	-	362,918	600,039	650,012	-	10,968	-	1,623,937
Tier 2 subordinated bonds	-	-	499,970	1,000,000	-	2,236	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	399,916	1,298,923	3,282	13,574	-	1,715,695
Total financial liabilities	83,780,927	41,423,005	40,216,710	9,364,190	1,958,452	44,251,407	1,736,364	222,731,055
Net interest sensitivity gap	66,502,101	(39,016,056)	(36,500,516)	39,632,828	23,033,486			
Financial guarantees	-	-	-	-	-	744,430		
Credit related commitments and contingencies	-	-	-	-	-	48,542,831		
Treasury related commitments and contingencies (hedging)	-	-	100,000	476,190	86,905	-		
Net interest sensitivity gap	-	-	100,000	476,190	86,905	49,287,261		

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2023 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,537,357	-	-	-	-	1,824,871	-	6,362,228
Deposits and placements with banks and other financial institutions	-	753,000	146,781	434,283	-	9,489	-	1,343,553
Financial assets at fair value through profit or loss	-	-	-	-	-	1,745,712	3,171,240	4,916,952
Financial investments at fair value through other comprehensive income	1,732,427	2,461,825	1,881,168	22,992,676	730,756	310,348	-	30,109,200
Financial investments at amortised cost	629,789	-	683,474	19,634,856	1,036,012	217,433	-	22,201,564
Loans, advances and financing								
- performing	113,325,166	2,603,472	729,056	5,802,037	12,216,725	-	-	134,676,456
- impaired ^	45,742	1,518	1,976	43,640	323,429	-	-	416,305
Other assets	100,381	-	-	-	-	2,184,233	-	2,284,614
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	2,063,266	2,063,266
- hedging derivatives	-	-	-	6,482	1,921	-	-	8,403
Amount due from subsidiaries	-	-	-	-	-	143,862	-	143,862
Statutory deposits with Central Banks	-	-	-	-	-	2,509,021	-	2,509,021
Total financial assets	120,370,862	5,819,815	3,442,455	48,913,974	14,308,843	8,944,969	5,234,506	207,035,424

^ This represents outstanding impaired loans after deducting expected credit losses.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2023 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	60,636,743	29,129,468	33,850,302	4,319,864	790,374	34,006,197	-	162,732,948
Deposits and placements of banks and other financial institutions	2,501,869	4,050,410	194,672	1,476,742	-	45,798	-	8,269,491
Obligations on securities sold under repurchase agreements	2,678,098	4,718,922	-	-	-	2,563	-	7,399,583
Bills and acceptances payable	3,669	23,655	24,410	-	-	103,468	-	155,202
Lease liabilities	5,567	11,137	49,950	169,023	34,036	-	-	269,713
Other liabilities	1,820	377	871	157	-	5,315,629	-	5,318,854
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	2,301,901	2,301,901
- hedging derivatives	-	-	-	35	-	-	-	35
Recourse obligation on loans sold to Cagamas	-	-	-	1,500,019	-	14,627	-	1,514,646
Tier 2 subordinated bonds	-	-	1,000,000	499,089	-	2,661	-	1,501,750
Multi-currency Additional Tier 1 Capital Securities	-	-	399,345	1,304,261	-	15,903	-	1,719,509
Total financial liabilities	65,827,766	37,933,969	35,519,550	9,269,190	824,410	39,506,846	2,301,901	191,183,632
Net interest sensitivity gap	54,543,096	(32,114,154)	(32,077,095)	39,644,784	13,484,433			
Financial guarantees	-	-	-	-	-	827,597		
Credit related commitments and contingencies	-	-	-	-	-	40,390,953		
Treasury related commitments and contingencies (hedging)	-	-	-	469,048	72,619	-		
Net interest sensitivity gap	-	-	-	469,048	72,619	41,218,550		

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2022 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,139,922	-	-	-	-	1,315,866	-	5,455,788
Deposits and placements with banks and other financial institutions	-	1,847,853	340,408	-	419,577	6,497	-	2,614,335
Financial assets at fair value through profit or loss	-	-	-	-	-	3,215,003	3,725,759	6,940,762
Financial investments at fair value through other comprehensive income	911,016	973,918	807,974	16,234,606	3,233,190	255,817	-	22,416,521
Financial investments at amortised cost	3,030,751	199,952	714,320	15,335,841	3,612,778	250,903	-	23,144,545
Loans, advances and financing								
- performing	109,432,328	289,294	705,648	6,806,828	9,122,949	-	-	126,357,047
- impaired ^	61,050	1,024	4,595	44,428	277,392	-	-	388,489
Other assets	126,024	-	-	-	-	1,574,322	-	1,700,346
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,769,151	1,769,151
- hedging derivatives	-	-	-	502	6,718	-	-	7,220
Amount due from subsidiaries	-	-	-	-	-	91,110	-	91,110
Statutory deposits with Central Banks	-	-	-	-	-	272,138	-	272,138
Total financial assets	117,701,091	3,312,041	2,572,945	38,422,205	16,672,604	6,981,656	5,494,910	191,157,452

^ This represents outstanding impaired loans after deducting expected credit losses.

Notes to the Financial Statements

for the financial year ended 30 June 2023

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2022 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	62,624,319	25,068,936	29,190,975	3,781,441	1,623,027	32,718,606	-	155,007,304
Deposits and placements of banks and other financial institutions	1,973,371	1,199,366	411,332	1,557,628	-	33,723	-	5,175,420
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	-	-	187,726	4,221	-	3,971,304
Bills and acceptances payable	2,322	13,312	9,746	-	-	128,039	-	153,419
Lease liabilities	5,352	10,699	48,162	216,891	44,261	-	-	325,365
Other liabilities	1,820	377	871	157	-	5,147,698	-	5,150,923
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,711,271	1,711,271
- hedging derivatives	-	361	-	113	-	-	-	474
Recourse obligation on loans sold to Cagamas	-	-	300,028	200,010	-	2,760	-	502,798
Tier 2 subordinated bonds	-	-	499,970	1,000,000	-	2,236	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	399,916	1,298,923	3,282	13,574	-	1,715,695
Total financial liabilities	65,724,315	28,955,277	30,861,000	8,055,163	1,858,296	38,050,857	1,711,271	175,216,179
Net interest sensitivity gap	51,976,776	(25,643,236)	(28,288,055)	30,367,042	14,814,308			
Financial guarantees	-	-	-	-	-	690,799		
Credit related commitments and contingencies	-	-	-	-	-	39,483,754		
Treasury related commitments and contingencies (hedging)	-	-	100,000	476,190	86,905	-		
Net interest sensitivity gap	-	-	100,000	476,190	86,905	40,174,553		

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using BNM's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity:

	The Group 2023							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,005,872	1,200,931	-	-	-	-	-	8,206,803
Deposits and placements with banks and other financial institutions	-	-	289,248	147,629	-	-	-	436,877
Financial assets at fair value through profit or loss	103,473	1,372,049	-	272,331	342,852	3,200,809	363,423	5,654,937
Financial investments at fair value through other comprehensive income	291,161	1,424,461	1,664,600	244,175	1,715,650	28,448,973	97,650	33,886,670
Financial investments at amortised cost	787,556	387	22,048	98,358	876,173	29,409,543	-	31,194,065
Loans, advances and financing	14,373,246	7,321,276	7,192,416	2,685,273	979,177	147,351,459	-	179,902,847
Other assets	1,213,753	15,030	29,260	38,878	12,570	2,047	1,142,877	2,454,415
Derivative financial instruments	67,367	173,596	576,425	181,326	141,775	1,027,935	-	2,168,424
Statutory deposits with Central Banks	-	-	-	-	-	-	3,396,920	3,396,920
Investment in associated companies	-	-	-	-	-	-	8,712,976	8,712,976
Property and equipment	-	-	-	-	-	-	1,055,391	1,055,391
Intangible assets	-	-	-	-	-	-	362,435	362,435
Right-of-use assets	-	-	-	-	-	-	175,946	175,946
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	410,436	410,436
Total assets	23,842,428	11,507,730	9,773,997	3,667,970	4,068,197	209,440,766	17,549,366	279,850,454

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity: (continued)

	The Group 2023							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	85,506,966	31,977,530	42,215,852	24,447,241	19,954,278	7,549,952	-	211,651,819
Investment accounts of customers	124,237	328,935	864,075	908,983	24,283	-	-	2,250,513
Deposits and placements of banks and other financial institutions	1,776,790	1,058,774	4,945,901	142,636	169,243	1,500,482	-	9,593,826
Obligations on securities sold under repurchase agreements	1,175,840	1,505,098	4,718,645	-	-	-	-	7,399,583
Bills and acceptances payable	314	4,000	29,963	30,168	-	-	146,986	211,431
Lease liabilities	-	3,512	6,785	9,972	19,504	139,155	-	178,928
Other liabilities	5,667,523	157,488	16,701	632	14,602	50	89,054	5,946,050
Derivative financial instruments	220,700	164,000	461,114	128,523	130,981	1,282,568	-	2,387,886
Recourse obligation on loans sold to Cagamas	-	-	15,203	6,977	-	2,950,040	-	2,972,220
Tier 2 subordinated bonds	-	-	-	2,661	1,000,000	499,089	-	1,501,750
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	11,040	399,345	1,304,262	-	1,719,509
Taxation	-	-	-	-	-	-	50,287	50,287
Total liabilities	**94,472,370**	**35,199,337**	**53,279,101**	**25,688,833**	**21,712,236**	**15,225,598**	**286,327**	**245,863,802**
Total equity	-	-	-	-	-	-	33,986,652	33,986,652
Total liabilities and equity	**94,472,370**	**35,199,337**	**53,279,101**	**25,688,833**	**21,712,236**	**15,225,598**	**34,272,979**	**279,850,454**
Net liquidity gap	**(70,629,942)**	**(23,691,607)**	**(43,505,104)**	**(22,020,863)**	**(17,644,039)**	**194,215,168**	**17,263,039**	**33,986,652**

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity:

	The Group 2022							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,808,223	2,286,506	-	-	-	-	-	6,094,729
Deposits and placements with banks and other financial institutions	-	-	500,105	342,401	-	-	-	842,506
Financial assets at fair value through profit or loss	316,574	1,110,143	583,736	186,583	122,908	3,481,985	1,442,553	7,244,482
Financial investments at fair value through other comprehensive income	399,843	512,543	961,513	119,090	579,180	23,540,748	83,386	26,196,303
Financial investments at amortised cost	96,866	4,149,024	220,780	255,838	877,455	26,758,451	-	32,358,414
Loans, advances and financing	13,172,118	8,377,197	5,183,381	2,808,015	717,337	136,229,573	-	166,487,621
Other assets	1,304,443	13,623	17,631	23,109	8,096	3,641	910,199	2,280,742
Derivative financial instruments	45,657	162,463	431,253	135,954	121,036	966,937	-	1,863,300
Statutory deposits with Central Banks	-	-	-	-	-	-	520,650	520,650
Investment in associated companies	-	-	-	-	-	-	6,455,474	6,455,474
Property and equipment	-	-	-	-	-	-	1,110,606	1,110,606
Intangible assets	-	-	-	-	-	-	304,749	304,749
Right-of-use assets	-	-	-	-	-	-	211,718	211,718
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	528,771	528,771
Total assets	19,143,724	16,611,499	7,898,399	3,870,990	2,426,012	190,981,335	13,399,418	254,331,377

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity: (continued)

	The Group 2022							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	85,337,784	29,535,027	36,008,916	18,063,370	20,068,312	8,279,050	-	197,292,459
Investment accounts of customers	232,455	744,106	1,463,800	105,564	122,483	-	-	2,668,408
Deposits and placements of banks and other financial institutions	1,745,155	1,354,153	1,107,373	419,733	116,236	1,579,600	-	6,322,250
Obligations on securities sold under repurchase agreements	96,323	1,022,185	2,664,629	-	-	188,167	-	3,971,304
Bills and acceptances payable	143	2,901	15,461	11,382	8	-	211,466	241,361
Lease liabilities	-	3,446	6,962	10,208	20,173	170,192	-	210,981
Other liabilities	5,454,610	165,732	27,917	705	12,995	-	88,391	5,750,350
Derivative financial instruments	37,352	79,984	138,697	120,383	63,958	1,296,464	-	1,736,838
Recourse obligation on loans sold to Cagamas	-	-	372,882	601,042	-	650,013	-	1,623,937
Tier 2 subordinated bonds	-	-	-	2,236	499,970	1,000,000	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	408,628	-	1,302,205	-	1,715,695
Taxation	-	-	-	-	-	-	306,612	306,612
Total liabilities	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	606,469	223,342,401
Total equity	-	-	-	-	-	-	30,988,976	30,988,976
Total liabilities and equity	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	31,595,445	254,331,377
Net liquidity gap	(73,760,098)	(16,296,035)	(33,913,100)	(15,872,261)	(18,478,123)	176,515,644	12,792,949	30,988,976

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity:

	The Bank 2023							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	6,092,697	269,531	-	-	-	-	-	6,362,228
Deposits and placements with banks and other financial institutions	-	-	761,641	147,629	-	434,283	-	1,343,553
Financial assets at fair value through profit or loss	103,473	1,071,721	-	271,884	48,595	3,035,693	385,586	4,916,952
Financial investments at fair value through other comprehensive income	260,523	1,424,461	1,664,600	244,175	1,639,556	24,778,235	97,650	30,109,200
Financial investments at amortised cost	695,640	387	22,048	78,270	640,326	20,764,893	-	22,201,564
Loans, advances and financing	11,150,990	6,056,620	6,614,320	2,007,923	466,170	108,796,738	-	135,092,761
Other assets	1,351,391	14,302	27,828	36,731	12,496	2,047	953,708	2,398,503
Derivative financial instruments	66,881	150,143	526,732	155,706	140,077	1,032,130	-	2,071,669
Amount due from subsidiaries	-	-	-	-	-	-	143,862	143,862
Statutory deposits with Central Banks	-	-	-	-	-	-	2,509,021	2,509,021
Subsidiary companies	-	-	-	-	-	-	2,655,317	2,655,317
Investment in associated companies	-	-	-	-	-	-	2,087,699	2,087,699
Property and equipment	-	-	-	-	-	-	488,040	488,040
Intangible assets	-	-	-	-	-	-	326,216	326,216
Right-of-use assets	-	-	-	-	-	-	261,308	261,308
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	317,985	317,985
Total assets	19,721,595	8,987,165	9,617,169	2,942,318	2,947,220	158,844,019	11,997,939	215,057,425

Notes to the Financial Statements

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity: (continued)

	The Bank 2023							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	70,277,393	22,407,762	29,370,840	17,944,091	16,282,955	6,449,907	-	162,732,948
Deposits and placements of banks and other financial institutions	1,573,319	964,196	4,057,912	80,495	116,826	1,476,743	-	8,269,491
Obligations on securities sold under repurchase agreements	1,175,840	1,505,098	4,718,645	-	-	-	-	7,399,583
Bills and acceptances payable	274	3,396	23,655	24,410	-	-	103,467	155,202
Lease liabilities	-	5,567	11,137	16,637	33,313	203,059	-	269,713
Other liabilities	4,874,548	157,391	16,561	582	4,640	432,643	80,385	5,566,750
Derivative financial instruments	220,855	127,608	451,072	119,923	130,981	1,251,497	-	2,301,936
Recourse obligation on loans sold to Cagamas	-	-	12,359	2,268	-	1,500,019	-	1,514,646
Tier 2 subordinated bonds	-	-	-	2,661	1,000,000	499,089	-	1,501,750
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	11,040	399,345	1,304,262	-	1,719,509
Taxation	-	-	-	-	-	-	39,545	39,545
Total liabilities	78,122,229	25,171,018	38,667,043	18,202,107	17,968,060	13,117,219	223,397	191,471,073
Total equity	-	-	-	-	-	-	23,586,352	23,586,352
Total liabilities and equity	78,122,229	25,171,018	38,667,043	18,202,107	17,968,060	13,117,219	23,809,749	215,057,425
Net liquidity gap	(58,400,634)	(16,183,853)	(29,049,874)	(15,259,789)	(15,020,840)	145,726,800	11,774,542	23,586,352

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity:

	The Bank 2022							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	4,335,147	1,120,641	-	-	-	-	-	5,455,788
Deposits and placements with banks and other financial institutions	-	-	1,852,356	342,402	-	419,577	-	2,614,335
Financial assets at fair value through profit or loss	316,574	1,002,347	493,952	94,233	5,109	3,481,985	1,546,562	6,940,762
Financial investments at fair value through other comprehensive income	399,843	512,543	961,513	103,920	548,714	19,806,602	83,386	22,416,521
Financial investments at amortised cost	96,866	2,988,803	220,780	238,232	538,425	19,061,439	-	23,144,545
Loans, advances and financing	10,462,348	7,260,070	4,549,698	2,217,539	354,454	101,901,427	-	126,745,536
Other assets	916,773	13,120	16,625	21,600	8,020	4,770	800,647	1,781,555
Derivative financial instruments	39,421	155,368	364,219	133,978	120,584	962,801	-	1,776,371
Amount due from subsidiaries	-	-	-	-	-	-	91,110	91,110
Statutory deposits with Central Banks	-	-	-	-	-	-	272,138	272,138
Subsidiary companies	-	-	-	-	-	-	2,625,696	2,625,696
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	527,989	527,989
Intangible assets	-	-	-	-	-	-	269,645	269,645
Right-of-use assets	-	-	-	-	-	-	321,446	321,446
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	403,666	403,666
Total assets	16,566,972	13,052,892	8,459,143	3,151,904	1,575,306	145,638,601	9,685,014	198,129,832

Notes to the Financial Statements

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity: (continued)

	The Bank 2022							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	69,481,967	23,707,837	25,209,107	13,017,564	16,345,666	7,245,163	-	155,007,304
Deposits and placements of banks and other financial institutions	1,269,051	735,288	1,200,913	296,304	116,236	1,557,628	-	5,175,420
Obligations on securities sold under repurchase agreements	96,323	1,022,185	2,664,629	-	-	188,167	-	3,971,304
Bills and acceptances payable	123	2,199	13,312	9,738	8	-	128,039	153,419
Lease liabilities	-	5,352	10,699	16,016	32,146	261,152	-	325,365
Other liabilities	4,686,301	165,717	27,870	675	2,313	432,107	77,876	5,392,859
Derivative financial instruments	37,525	75,209	136,779	120,058	63,842	1,278,332	-	1,711,745
Recourse obligation on loans sold to Cagamas	-	-	2,216	300,572	-	200,010	-	502,798
Tier 2 subordinated bonds	-	-	-	2,236	499,970	1,000,000	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	408,628	-	1,302,205	-	1,715,695
Taxation	-	-	-	-	-	-	272,986	272,986
Total liabilities	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	478,901	175,731,101
Total equity	-	-	-	-	-	-	22,398,731	22,398,731
Total liabilities and equity	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	22,877,632	198,129,832
Net liquidity gap	(59,004,318)	(12,660,895)	(20,811,244)	(11,019,887)	(15,484,875)	132,173,837	9,206,113	22,398,731

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group 2023					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	62,683,402	47,910,711	55,088,291	48,259,124	1,684,848	215,626,376
Investment accounts of customers	444,931	919,787	968,025	-	-	2,332,743
Deposits and placements of banks and other financial institutions	3,992,684	3,920,181	353,504	1,099,967	397,054	9,763,390
Obligations on securities sold under repurchase agreements	2,682,317	4,719,522	-	-	-	7,401,839
Bills and acceptances payable	146,986	5,700	12,087	-	-	164,773
Lease liabilities	4,224	8,211	35,344	123,680	34,044	205,503
Other liabilities	5,637,045	434	1,019	183	-	5,638,681
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(11,614,176)	(13,484,469)	(4,650,782)	(3,972,926)	(118,311)	(33,840,664)
- Outflow	12,029,722	14,140,906	4,919,664	4,284,947	131,787	35,507,026
- Net settled derivatives	41,385	70,617	347,681	629,419	109,254	1,198,356
Recourse obligation on loans sold to Cagamas	-	27,256	90,684	3,101,511	-	3,219,451
Tier 2 subordinated bonds	-	-	1,063,473	584,058	-	1,647,531
Multi-currency Additional Tier 1 Capital Securities	-	9,518	468,425	1,485,976	-	1,963,919
Total financial liabilities	76,048,520	58,248,374	58,697,415	55,595,939	2,238,676	250,828,924

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group 2022					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	61,324,074	40,555,516	48,187,735	47,439,915	2,834,423	200,341,663
Investment accounts of customers	518,105	1,125,721	1,076,127	-	-	2,719,953
Deposits and placements of banks and other financial institutions	3,230,023	1,058,963	592,906	1,062,663	516,938	6,461,493
Obligations on securities sold under repurchase agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	211,666	-	-	-	-	211,666
Lease liabilities	4,214	8,462	36,573	148,353	44,168	241,770
Other liabilities	5,443,980	434	1,019	183	-	5,445,616
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,421,523)	(4,750,485)	(4,486,715)	(2,728,214)	(113,232)	(20,500,169)
- Outflow	8,535,963	4,872,766	4,614,467	2,877,443	118,371	21,019,010
- Net settled derivatives	(488)	51,544	283,664	876,692	93,925	1,305,337
Recourse obligation on loans sold to Cagamas	10,498	376,820	626,213	691,934	-	1,705,465
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier 1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	71,976,151	45,979,882	51,933,166	52,865,176	3,494,593	226,248,968

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank					
	2023					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	45,803,271	34,003,204	43,205,937	41,454,187	1,684,197	166,150,796
Deposits and placements of banks and other financial institutions	3,222,967	3,530,323	203,389	1,099,967	374,915	8,431,561
Obligations on securities sold under repurchase agreements	2,682,317	4,719,522	-	-	-	7,401,839
Bills and acceptances payable	103,467	3,294	8,942	-	-	115,703
Lease liabilities	6,470	12,892	56,978	185,396	36,407	298,143
Other liabilities	5,317,449	377	871	157	-	5,318,854
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(10,944,539)	(12,682,513)	(3,509,248)	(3,972,926)	(118,311)	(31,227,537)
- Outflow	11,307,885	13,304,214	3,756,109	4,284,947	131,787	32,784,942
- Net settled derivatives	41,169	70,081	342,634	594,601	108,331	1,156,816
Recourse obligation on loans sold to Cagamas	-	22,631	35,922	1,571,642	-	1,630,195
Tier 2 subordinated bonds	-	-	1,063,473	584,058	-	1,647,531
Multi-currency Additional Tier 1 Capital Securities	-	9,518	468,425	1,485,976	-	1,963,919
Total financial liabilities	57,540,456	42,993,543	45,633,432	47,288,005	2,217,326	195,672,762

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank 2022					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	46,778,161	28,772,826	38,603,368	40,991,923	2,732,512	157,878,790
Deposits and placements of banks and other financial institutions	2,134,065	1,204,299	415,435	1,062,663	494,965	5,311,427
Obligations on securities sold under repurchase agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	128,039	-	-	-	-	128,039
Lease liabilities	6,453	12,849	56,979	240,228	47,762	364,271
Other liabilities	5,149,518	377	871	157	-	5,150,923
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,746,259)	(4,530,206)	(4,420,749)	(2,728,214)	(113,232)	(19,538,660)
- Outflow	7,853,191	4,649,024	4,547,576	2,877,443	118,371	20,045,605
- Net settled derivatives	(488)	51,895	280,834	860,106	92,590	1,284,937
Recourse obligation on loans sold to Cagamas	-	2,763	308,099	208,358	-	519,220
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier 1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	55,422,319	32,843,968	40,793,590	46,008,871	3,372,968	178,441,716

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
The Group			
2023			
Direct credit substitutes	**152,828**	**71,687**	**224,515**
Short-term self liquidating trade related contingencies	**820,362**	**-**	**820,362**
Irrevocable commitments to extend credit	**26,457,159**	**17,073,556**	**43,530,715**
Unutilised credit card lines	**6,902,344**	**-**	**6,902,344**
Total commitments and contingencies	**34,332,693**	**17,145,243**	**51,477,936**
2022			
Direct credit substitutes	136,903	200	137,103
Short-term self liquidating trade related contingencies	607,327	-	607,327
Irrevocable commitments to extend credit	23,913,907	17,538,803	41,452,710
Unutilised credit card lines	7,090,121	-	7,090,121
Total commitments and contingencies	31,748,258	17,539,003	49,287,261
The Bank			
2023			
Direct credit substitutes	**146,896**	**70,150**	**217,046**
Short-term self liquidating trade related contingencies	**610,551**	**-**	**610,551**
Irrevocable commitments to extend credit	**21,025,525**	**12,463,084**	**33,488,609**
Unutilised credit card lines	**6,902,344**	**-**	**6,902,344**
Total commitments and contingencies	**28,685,316**	**12,533,234**	**41,218,550**
2022			
Direct credit substitutes	128,877	200	129,077
Short-term self liquidating trade related contingencies	561,722	-	561,722
Irrevocable commitments to extend credit	19,450,920	12,942,713	32,393,633
Unutilised credit card lines	7,090,121	-	7,090,121
Total commitments and contingencies	27,231,640	12,942,913	40,174,553

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank on financial instruments subject to impairment:

	The Group	
	2023 RM'000	2022 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**7,125,036**	5,561,508
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**33,789,020**	26,112,917
- Financial investments at amortised cost	**31,194,065**	32,358,414
Loans, advances and financing	**179,902,847**	166,487,621
Other assets	**2,233,739**	2,067,938
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**51,477,936**	49,287,261
Total maximum credit risk exposure that are subject to impairment	**305,722,643**	281,875,659

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank	
	2023 RM'000	2022 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**6,485,385**	6,935,424
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**30,011,550**	22,333,135
- Financial investments at amortised cost	**22,201,564**	23,144,545
Loans, advances and financing	**135,092,761**	126,745,536
Other assets	**2,184,233**	1,574,322
Amount due from subsidiaries	**143,862**	91,110
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**41,218,550**	40,174,553
Total maximum credit risk exposure that are subject to impairment	**237,337,905**	220,998,625

The table below shows the credit exposure of the Group and the Bank on financial instruments that are not subject to impairment:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets at FVTPL (exclude shares and wholesale funds)	**3,910,787**	2,942,548	**3,150,639**	2,534,818
Derivative assets	**2,168,424**	1,863,300	**2,071,669**	1,776,371
	6,079,211	4,805,848	**5,222,308**	4,311,189

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for credit impaired loans, advances and financing under individual assessment for which no allowances is recognised because of collateral as at 30 June 2023 amounted to RM90,179,000 (2022: RM94,440,000) and RM77,165,000 (2022: RM90,227,000) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 87.35% (2022: 87.35%) and 85.32% (2022: 86.04%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 30 June 2023 for the Group and the Bank is 72.15% (2022: 76.19%) and 74.05% (2022: 75.77%) respectively.

(iii) Credit exposure by stage

Financial assets of the Group and the Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL - not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL - credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note 2N.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and are under closer monitoring.
No rating	Obligors which are currently not assigned with credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Obligors assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Description
Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	4,396,204	-	-	4,396,204
Investment grade	2,685,940	-	-	2,685,940
Non-investment grade	43,115	-	-	43,115
Gross carrying amount	7,125,259	-	-	7,125,259
Expected credit losses	(223)	-	-	(223)
Net carrying amount	7,125,036	-	-	7,125,036
Financial investments at FVOCI				
Sovereign	22,063,364	-	-	22,063,364
Investment grade	11,642,131	-	-	11,642,131
Non-investment grade	83,525	-	-	83,525
Gross carrying amount	33,789,020	-	-	33,789,020
Expected credit losses	(2,014)	-	-	(2,014)
Financial investments at amortised cost				
Sovereign	29,452,972	-	-	29,452,972
Investment grade	1,741,111	-	-	1,741,111
Gross carrying amount	31,194,083	-	-	31,194,083
Expected credit losses	(18)	-	-	(18)
Net carrying amount	31,194,065	-	-	31,194,065
Loans, advances and financing				
Good	150,504,650	112,027	-	150,616,677
Adequate	23,418,533	1,285,854	-	24,704,387
Marginal	-	5,310,466	-	5,310,466
No rating	3,297	-	-	3,297
Credit impaired	-	-	1,041,884	1,041,884
Gross carrying amount	173,926,480	6,708,347	1,041,884	181,676,711
Expected credit losses	(966,265)	(381,755)	(411,144)	(1,759,164)
Others *	(14,700)	-	-	(14,700)
Net carrying amount	172,945,515	6,326,592	630,740	179,902,847

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	1,852,125	-	-	1,852,125
Investment grade	3,188,748	-	-	3,188,748
Non-investment grade	520,984	-	-	520,984
Gross carrying amount	5,561,857	-	-	5,561,857
Expected credit losses	(349)	-	-	(349)
Net carrying amount	5,561,508	-	-	5,561,508
Financial investments at FVOCI				
Sovereign	18,181,504	-	-	18,181,504
Investment grade	7,882,636	-	-	7,882,636
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	26,112,917	-	-	26,112,917
Expected credit losses	(1,729)	-	-	(1,729)
Financial investments at amortised cost				
Sovereign	31,817,634	-	-	31,817,634
Investment grade	540,848	-	-	540,848
Gross carrying amount	32,358,482	-	-	32,358,482
Expected credit losses	(68)	-	-	(68)
Net carrying amount	32,358,414	-	-	32,358,414
Loans, advances and financing				
Good	130,843,774	188,273	-	131,032,047
Adequate	20,086,074	1,767,203	-	21,853,277
Marginal	-	14,525,676	-	14,525,676
No rating	514	2,761	-	3,275
Credit impaired	-	-	819,750	819,750
Gross carrying amount	150,930,362	16,483,913	819,750	168,234,025
Expected credit losses	(976,919)	(423,876)	(335,647)	(1,736,442)
Others *	(9,962)	-	-	(9,962)
Net carrying amount	149,943,481	16,060,037	484,103	166,487,621

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	3,277,503	-	-	3,277,503
Investment grade	2,642,327	-	-	2,642,327
Non-investment grade	567,800	-	-	567,800
Gross carrying amount	6,487,630	-	-	6,487,630
Expected credit losses	(2,245)	-	-	(2,245)
Net carrying amount	6,485,385	-	-	6,485,385
Financial investments at FVOCI				
Sovereign	18,292,001	-	-	18,292,001
Investment grade	11,636,024	-	-	11,636,024
Non-investment grade	83,525	-	-	83,525
Gross carrying amount	30,011,550	-	-	30,011,550
Expected credit losses	(2,007)	-	-	(2,007)
Financial investments at amortised cost				
Sovereign	21,227,755	-	-	21,227,755
Investment grade	973,809	-	-	973,809
Gross carrying amount	22,201,564	-	-	22,201,564
Expected credit losses	-	-	-	-
Net carrying amount	22,201,564	-	-	22,201,564
Loans, advances and financing				
Good	114,676,337	88,735	-	114,765,072
Adequate	16,170,735	1,085,019	-	17,255,754
Marginal	-	3,642,075	-	3,642,075
No rating	3,297	-	-	3,297
Credit impaired	-	-	676,600	676,600
Gross carrying amount	130,850,369	4,815,829	676,600	136,342,798
Expected credit losses	(712,146)	(265,808)	(260,295)	(1,238,249)
Others *	(11,788)	-	-	(11,788)
Net carrying amount	130,126,435	4,550,021	416,305	135,092,761

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	1,331,584	-	-	1,331,584
Investment grade	4,582,646	-	-	4,582,646
Non-investment grade	1,026,281	-	-	1,026,281
Gross carrying amount	6,940,511	-	-	6,940,511
Expected credit losses	(5,087)	-	-	(5,087)
Net carrying amount	6,935,424	-	-	6,935,424
Financial investments at FVOCI				
Sovereign	14,434,565	-	-	14,434,565
Investment grade	7,849,793	-	-	7,849,793
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	22,333,135	-	-	22,333,135
Expected credit losses	(1,724)	-	-	(1,724)
Financial investments at amortised cost				
Sovereign	22,816,933	-	-	22,816,933
Investment grade	327,612	-	-	327,612
Gross carrying amount	23,144,545	-	-	23,144,545
Expected credit losses	-	-	-	-
Net carrying amount	23,144,545	-	-	23,144,545
Loans, advances and financing				
Good	101,082,322	161,583	-	101,243,905
Adequate	14,221,242	1,269,270	-	15,490,512
Marginal	-	10,668,856	-	10,668,856
No rating	-	2,631	-	2,631
Credit impaired	-	-	647,646	647,646
Gross carrying amount	115,303,564	12,102,340	647,646	128,053,550
Expected credit losses	(745,735)	(296,203)	(259,157)	(1,301,095)
Others *	(6,919)	-	-	(6,919)
Net carrying amount	114,550,910	11,806,137	388,489	126,745,536

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

	The Group 2023									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	41,232	-	2,787,470	-	-	2,828,702	1,266,113	491
Mining and quarrying	-	-	-	-	115,556	-	-	115,556	89,612	-
Manufacturing	-	14,136	-	-	15,342,174	-	-	15,356,310	9,720,440	411,096
Electricity, gas and water	-	70,431	2,289,844	5,024	738,051	-	-	3,103,350	306,418	6,651
Construction	-	10,098	349,270	158,951	6,358,806	-	-	6,877,125	4,025,838	187,063
Wholesale and retail	-	-	33,156	-	16,176,215	-	-	16,209,371	7,911,734	223,573
Transport, storage and communications	-	9,868	181,083	-	5,706,490	-	-	5,897,441	1,118,925	2,643
Finance, insurance, real estate and business services	2,728,832	164,994	13,058,003	2,035,363	16,528,907	2,231,584	2,168,424	38,916,107	2,995,420	159,543
Government and government agencies	4,396,204	3,641,260	17,836,432	28,994,727	-	2,155	-	54,870,778	-	50,857
Education, health and others	-	-	-	-	1,538,040	-	-	1,538,040	393,439	-
Household	-	-	-	-	114,541,027	-	-	114,541,027	22,603,337	2,960
Others	-	-	-	-	70,111	-	-	70,111	1,783	-
	7,125,036	3,910,787	33,789,020	31,194,065	179,902,847	2,233,739	2,168,424	260,323,918	50,433,059	1,044,877

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Group 2022									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	24,365	41,252	-	3,161,634	-	-	3,227,251	1,104,840	6,625
Mining and quarrying	-	-	-	-	126,477	-	-	126,477	77,169	-
Manufacturing	-	-	-	-	14,120,195	-	-	14,120,195	7,817,397	315,298
Electricity, gas and water	-	15,418	1,826,396	431,237	720,058	-	-	2,993,109	246,455	10,224
Construction	-	10,195	287,553	160,904	4,954,202	-	-	5,412,854	3,507,501	30,853
Wholesale and retail	-	-	31,847	-	15,666,440	-	-	15,698,287	7,003,440	251,317
Transport, storage and communications	-	-	118,864	-	5,271,899	-	-	5,390,763	1,390,757	2,406
Finance, insurance, real estate and business services	3,709,383	172,153	9,044,626	1,122,291	14,112,171	2,066,385	1,863,300	32,090,309	3,199,487	72,841
Government and government agencies	1,852,125	2,720,417	14,762,379	30,643,982	-	1,553	-	49,980,456	-	46,795
Education, health and others	-	-	-	-	1,714,066	-	-	1,714,066	524,211	3,843
Household	-	-	-	-	106,595,675	-	-	106,595,675	23,669,416	3,004
Others	-	-	-	-	44,804	-	-	44,804	2,158	1,224
	5,561,508	2,942,548	26,112,917	32,358,414	166,487,621	2,067,938	1,863,300	237,394,246	48,542,831	744,430

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2023										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	41,232	-	1,345,007	-	-	-	1,386,239	1,021,888	-
Mining and quarrying	-	-	-	-	88,340	-	-	-	88,340	73,402	-
Manufacturing	-	14,136	-	-	11,302,215	-	-	-	11,316,351	7,812,905	380,948
Electricity, gas and water	-	70,431	2,284,638	5,024	357,742	-	-	-	2,717,835	81,890	6,651
Construction	-	10,098	349,270	158,951	4,974,419	-	-	-	5,492,738	3,003,137	20,703
Wholesale and retail	-	-	33,156	-	12,036,274	-	-	-	12,069,430	6,344,541	204,668
Transport, storage and communications	-	9,868	181,083	-	5,178,405	-	-	-	5,369,356	916,616	2,643
Finance, insurance, real estate and business services	3,207,882	163,712	12,807,144	1,244,885	12,766,941	2,182,078	143,862	2,071,669	34,588,173	1,935,788	158,538
Government and government agencies	3,277,503	2,882,394	14,315,027	20,792,704	-	2,155	-	-	41,269,783	-	50,857
Education, health and others	-	-	-	-	720,459	-	-	-	720,459	201,442	-
Household	-	-	-	-	86,261,100	-	-	-	86,261,100	18,999,344	2,589
Others	-	-	-	-	61,859	-	-	-	61,859	-	-
	6,485,385	3,150,639	30,011,550	22,201,564	135,092,761	2,184,233	143,862	2,071,669	201,341,663	40,390,953	827,597

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2022										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	24,365	41,252	-	1,693,048	-	-	-	1,758,665	822,576	5,551
Mining and quarrying	-	-	-	-	95,998	-	-	-	95,998	63,816	-
Manufacturing	-	-	-	-	10,655,006	-	-	-	10,655,006	6,330,689	288,354
Electricity, gas and water	-	15,418	1,800,892	264,181	296,288	-	-	-	2,376,779	129,499	10,224
Construction	-	10,195	287,553	160,904	3,911,381	-	-	-	4,370,033	2,765,794	25,451
Wholesale and retail	-	-	31,847	-	12,039,302	-	-	-	12,071,149	5,569,259	238,980
Transport, storage and communications	-	-	118,864	-	4,761,090	-	-	-	4,879,954	1,165,014	2,406
Finance, insurance, real estate and business services	5,603,840	163,056	8,765,571	873,690	10,801,366	1,572,776	91,110	1,776,371	29,647,780	2,423,438	70,284
Government and government agencies	1,331,584	2,321,784	11,287,156	21,845,770	-	1,546	-	-	36,787,840	-	46,795
Education, health and others	-	-	-	-	891,452	-	-	-	891,452	331,214	-
Household	-	-	-	-	81,566,321	-	-	-	81,566,321	19,880,969	2,754
Others	-	-	-	-	34,284	-	-	-	34,284	1,486	-
	6,935,424	2,534,818	22,333,135	23,144,545	126,745,536	1,574,322	91,110	1,776,371	185,135,261	39,483,754	690,799

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Repossessed collaterals

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Industrial and residential properties, lands and automobiles	**377,172**	352,321	**279,067**	274,467

Repossessed collaterals are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not utilise the repossessed collaterals for its business use.

(vi) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the statements of income.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended, and are still subject to enforcement activities was RM388.4 million (2022: RM418.9 million) for the Group and RM310.1 million (2022: RM173.1 million) for the Bank.

(vii) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised in the statements of income with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

The amounts of loans, advances and financing whose cash flows are modified and of which modification loss is recognised during the year for the Group and the Bank are Nil (2022: RM3,546.8 million) and Nil (2022: RM2,393.5 million) respectively.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(viii) Sensitivity analysis

The Group and the Bank have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates, banking system credit and gross domestic product while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

		The Group RM'000	The Bank RM'000
2023	**Changes**		
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on the positive changes in key variables		**(3,793)**	**(3,719)**
Total increase in ECL on the negative changes in key variables		**229**	**319**
2022	**Changes**		
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on the positive changes in key variables		(4,561)	(4,486)
Total increase in ECL on the negative changes in key variables		566	405

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(viii) Sensitivity analysis (continued)

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant: (continued)

(b) Non-retail

		The Group RM'000	The Bank RM'000
2023	**Changes**		
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		**(4,266)**	**(3,523)**
Total increase in ECL on the negative changes in key variables		**3,787**	**2,493**
2022	**Changes**		
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		(5,513)	(4,253)
Total increase in ECL on the negative changes in key variables		3,448	2,386

(ix) Overlays and adjustments for expected credit losses

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability, ECL overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL of loans, advances and financing for the financial year ended 30 June 2023.

These ECL overlays and post-model adjustments reflect the latest macroeconomic outlook and the potential impact to delinquencies and defaults when the various relief and support measures expire in the future.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the post-pandemic uncertainties as well as emerging risks and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The adjusted downside scenario has taken into consideration the current operating environment, which includes downside risks from geopolitical conflicts, cost pressures, global monetary tightening and China's pre-opening/ slowdown. As at 30 June 2023, the impact of these overlays and post-model adjustments continues to remain outside the MFRS 9 ECL Model. The ECL overlays amounted to RM574.2 million (2022: RM628.5 million) and RM421.1 million (2022: RM475.4 million) at the Group and the Bank respectively.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of 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.

(a) Determination of fair value and fair value hierarchy

The Group and the Bank 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 are 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 and the Bank then determine fair value based upon valuation techniques such as discounted cash flow that uses inputs such as 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.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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:

	The Group 2023 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	3,656,339	-	3,656,339
- Quoted securities	1,380,447	-	-	1,380,447
- Unquoted securities	-	253,166	364,985	618,151
Financial investments at FVOCI				
- Money market instrument	-	20,244,842	-	20,244,842
- Quoted securities	4,436,851	-	-	4,436,851
- Unquoted securities	-	9,107,327	97,650	9,204,977
Derivative financial instruments	26,174	2,067,896	74,354	2,168,424
	5,843,472	35,329,570	536,989	41,710,031
Financial Liabilities				
Derivative financial instruments	874	2,315,173	71,839	2,387,886
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,564,330	-	3,564,330
	874	5,879,503	71,839	5,952,216

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,679,155	-	2,679,155
- Quoted securities	3,998,469	-	-	3,998,469
- Unquoted securities	-	211,238	355,620	566,858
Financial investments at FVOCI				
- Money market instrument	-	15,590,971	-	15,590,971
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,631,734	83,386	7,715,120
Derivative financial instruments	9,909	1,748,589	104,802	1,863,300
	6,898,590	27,861,687	543,808	35,304,085
Financial Liabilities				
Derivative financial instruments	104	1,633,224	103,510	1,736,838
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,065,393	-	2,065,393
	104	3,698,617	103,510	3,802,231

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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 Bank 2023 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,897,473	-	2,897,473
- Quoted securities	1,401,328	-	-	1,401,328
- Unquoted securities	-	253,166	364,985	618,151
Financial investments at FVOCI				
- Money market instrument	-	16,816,442	-	16,816,442
- Quoted securities	4,436,851	-	-	4,436,851
- Unquoted securities	-	8,758,257	97,650	8,855,907
Derivative financial instruments	26,174	1,981,501	63,994	2,071,669
	5,864,353	30,706,839	526,629	37,097,821
Financial Liabilities				
Derivative financial instruments	874	2,239,583	61,479	2,301,936
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,157,718	-	3,157,718
	874	5,397,301	61,479	5,459,654

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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 Bank 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,382,288	-	2,382,288
- Quoted securities	4,093,382	-	-	4,093,382
- Unquoted securities	-	109,472	355,620	465,092
Financial investments at FVOCI				
- Money market instrument	-	12,182,344	-	12,182,344
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,260,579	83,386	7,343,965
Derivative financial instruments	9,909	1,661,660	104,802	1,776,371
	6,993,503	23,596,343	543,808	31,133,654
Financial Liabilities				
Derivative financial instruments	104	1,608,131	103,510	1,711,745
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,983,878	-	1,983,878
	104	3,592,009	103,510	3,695,623

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

The Group	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
2023				
At 1 July	**355,620**	**83,386**	**104,802**	**103,510**
Fair value changes recognised in statements of income	**9,365**	**-**	**18,418**	**18,418**
Net fair value changes recognised in other comprehensive income	**-**	**14,264**	**-**	**-**
Purchases	**-**	**-**	**57,400**	**56,257**
Settlements	**-**	**-**	**(106,266)**	**(106,346)**
At 30 June	**364,985**	**97,650**	**74,354**	**71,839**
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023	**9,365**	**-**	**18,418**	**18,418**
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	**-**	**14,264**	**-**	**-**

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

	Financial Assets			Financial Liability
The Group	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
2022				
At 1 July	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income	6,751	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
At 30 June	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	6,751	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Bank	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2023				
At 1 July	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income	9,365	-	18,418	18,418
Net fair value changes recognised in other comprehensive income	-	14,264	-	-
Purchases	-	-	47,039	45,897
Settlements	-	-	(106,265)	(106,346)
At 30 June	364,985	97,650	63,994	61,479
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023	9,365	-	18,418	18,418
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	-	14,264	-	-

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Bank	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
2022				
At 1 July	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income	6,751	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
At 30 June	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	6,751	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2023

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	The Group and the Bank Fair value assets RM'000	 Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
2023						
Financial assets at FVTPL						
Unquoted shares	**364,985**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	**97,650**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	**74,354**	**(71,839)**	Monte Carlo Simulation	Equity volatility	6% to 47%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underliers	-30% to -13%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
2022						
Financial assets at FVTPL						
Unquoted shares	355,620	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	83,386	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	104,802	(103,510)	Monte Carlo Simulation	Equity volatility	7% to 121%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underliers	-16% to 16%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Sensitivity analysis for Level 3

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
2023			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(22)**
		-10%	**19**
	Equity / FX	+10%	**(1)**
	Correlation	-10%	**(181)**
	Total*		**(185)**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**22**
		-10%	**(19)**
	Equity / FX	+10%	**1**
	Correlation	-10%	**181**
	Total*		**185**

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Sensitivity analysis for Level 3 (continued)

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
2022			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	271
		-10%	(355)
	Equity / FX	+10%	35
	Correlation	-10%	121
	Total*		72
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(271)
		-10%	355
	Equity / FX	+10%	(35)
	Correlation	-10%	(121)
	Total*		(72)

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

The Group	2023 Carrying Amount RM'000	2023 Fair Value RM'000	2022 Carrying Amount RM'000	2022 Fair Value RM'000
Financial Assets				
Financial investments at amortised cost				
- Money market	**30,567,728**	**31,205,088**	28,415,374	28,758,328
- Quoted securities	**19,117**	**18,668**	62,174	61,526
- Unquoted securities	**607,220**	**615,773**	3,880,866	3,887,721
Loans, advances and financing	**179,902,847**	**180,787,089**	166,487,621	167,410,862
	211,096,912	**212,626,618**	198,846,035	200,118,437
Financial Liabilities				
Deposits from customers				
- At amortised cost	**208,087,489**	**208,355,494**	195,227,066	194,983,213
Recourse obligation on loans sold to Cagamas	**2,972,220**	**2,976,763**	1,623,937	1,808,376
Tier 2 subordinated bonds	**1,501,750**	**1,504,841**	1,502,206	1,508,555
Multi-currency Additional Tier 1 capital securities	**1,719,509**	**1,712,997**	1,715,695	1,718,931
	214,280,968	**214,550,095**	200,068,904	200,019,075
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	**21,662,137**	**22,106,027**	20,431,846	20,715,391
- Quoted securities	**19,117**	**18,668**	62,174	61,526
- Unquoted securities	**520,310**	**527,832**	2,650,525	2,657,914
Loans, advances and financing	**135,092,761**	**135,622,392**	126,745,536	127,424,444
	157,294,325	**158,274,919**	149,890,081	150,859,275
Financial Liabilities				
Deposits from customers				
- At amortised cost	**159,575,230**	**159,755,827**	153,023,426	152,760,886
Recourse obligation on loans sold to Cagamas	**1,514,646**	**1,514,129**	502,798	695,926
Tier 2 subordinated bonds	**1,501,750**	**1,504,841**	1,502,206	1,508,555
Multi-currency Additional Tier 1 capital securities	**1,719,509**	**1,712,997**	1,715,695	1,718,931
	164,311,135	**164,487,794**	156,744,125	156,684,298

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2023 but for which fair value is disclosed:

	2023			
	Carrying Amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000	Fair Value Level 3 RM'000
The Group				
Financial Assets				
Financial investments at amortised cost				
- Money market	30,567,728	-	31,205,088	-
- Quoted securities	19,117	-	18,668	-
- Unquoted securities	607,220	-	615,773	-
Loans, advances and financing	179,902,847	-	180,787,089	-
	211,096,912	-	212,626,618	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	208,087,489	-	208,355,494	-
Recourse obligation on loans sold to Cagamas	2,972,220	-	2,976,763	-
Tier 2 subordinated bonds	1,501,750	-	1,504,841	-
Multi-currency Additional Tier 1 capital securities	1,719,509	-	1,712,997	-
	214,280,968	-	214,550,095	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	21,662,137	-	22,106,027	-
- Quoted securities	19,117	-	18,668	-
- Unquoted securities	520,310	-	527,832	-
Loans, advances and financing	135,092,761	-	135,622,392	-
	157,294,325	-	158,274,919	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	159,575,230	-	159,755,827	-
Recourse obligation on loans sold to Cagamas	1,514,646	-	1,514,129	-
Tier 2 subordinated bonds	1,501,750	-	1,504,841	-
Multi-currency Additional Tier 1 capital securities	1,719,509	-	1,712,997	-
	164,311,135	-	164,487,794	-

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2022 but for which fair value is disclosed:

	2022			
	Carrying Amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000	Fair Value Level 3 RM'000
The Group				
Financial Assets				
Financial investments at amortised cost				
- Money market	28,415,374	-	28,758,328	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	3,880,866	-	3,887,721	-
Loans, advances and financing	166,487,621	-	167,410,862	-
	198,846,035	-	200,118,437	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	195,227,066	-	194,983,213	-
Recourse obligation on loans sold to Cagamas	1,623,937	-	1,808,376	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	200,068,904	-	200,019,075	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	20,431,846	-	20,715,391	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	2,650,525	-	2,657,914	-
Loans, advances and financing	126,745,536	-	127,424,444	-
	149,890,081	-	150,859,275	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	153,023,426	-	152,760,886	-
Recourse obligation on loans sold to Cagamas	502,798	-	695,926	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	156,744,125	-	156,684,298	-

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

FVTPL, FVOCI and financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Recourse obligation on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

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50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group					The Bank				
			Related amount not set off in the statements of financial position					Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2023										
Financial assets										
Derivatives/financial instruments	2,168,424	2,168,424	(867,623)	(81,625)	1,219,176	2,071,669	2,071,669	(839,157)	(81,625)	1,150,887
Total	2,168,424	2,168,424	(867,623)	(81,625)	1,219,176	2,071,669	2,071,669	(839,157)	(81,625)	1,150,887
Financial liabilities										
Derivatives/financial instruments	2,387,886	2,387,886	(867,623)	(904,928)	615,335	2,301,936	2,301,936	(839,157)	(904,928)	557,851
Obligations on securities sold under repurchase agreements	7,399,583	7,399,583	(7,399,583)	-	-	7,399,583	7,399,583	(7,399,583)	-	-
Total	9,787,469	9,787,469	(8,267,206)	(904,928)	615,335	9,701,519	9,701,519	(8,238,740)	(904,928)	557,851

50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

	The Group					The Bank				
			Related amount not set off in the statements of financial position					Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2022										
Financial assets										
Derivatives/financial instruments	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Total	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Financial liabilities										
Derivatives/financial instruments	1,736,838	1,736,838	(908,870)	(567,124)	260,844	1,711,745	1,711,745	(904,000)	(567,124)	240,621
Obligations on securities sold under repurchase agreements	3,971,304	3,971,304	(2,755,310)	-	1,215,994	3,971,304	3,971,304	(2,755,310)	-	1,215,994
Total	5,708,142	5,708,142	(3,664,180)	(567,124)	1,476,838	5,683,049	5,683,049	(3,659,310)	(567,124)	1,456,615

51 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.0%, 8.5% and 10.5% respectively.

On 19 April 2023, BNM increased the allocation under the BNM's Fund for SMEs by RM1.3 billion through selected facilities namely the High Tech and Green Facility ("HTG"), Automation and Digitalisation Facility ("ADF") and Agrofood Facility ("AF") to further support the micro, small and medium enterprises (SMEs). The Bank will continue to provide support to SMEs involved in strategic sectors or critical technology segments through the HTG facility, incentivise the automation of processes and digitalisation of operations through the ADF facility, and provide financing to increase agrofood production through the AF facility.

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 in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

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

	The Group		The Bank	
	2023	2022	2023	2022
Before deducting proposed dividends				
CET I capital ratio	**13.310%**	13.935%	**13.000%**	13.912%
Tier I capital ratio	**14.353%**	15.050%	**14.029%**	14.999%
Total capital ratio	**16.399%**	17.176%	**16.009%**	17.051%
After deducting proposed dividends				
CET I capital ratio	**12.824%**	13.428%	**12.372%**	13.266%
Tier I capital ratio	**13.866%**	14.543%	**13.401%**	14.353%
Total capital ratio	**15.912%**	16.669%	**15.381%**	16.404%

51 CAPITAL ADEQUACY (CONTINUED)

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

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**25,017,703**	22,727,982	**15,727,832**	15,120,482
Other reserves	**947,836**	592,754	**2,905**	(283,282)
Less: Treasury shares	**(708,766)**	(713,690)	**(708,766)**	(713,690)
Less: Deferred tax assets	**(410,436)**	(528,771)	**(317,985)**	(403,666)
Less: Other intangible assets	**(362,435)**	(304,749)	**(326,216)**	(269,645)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(8,712,976)**	(6,455,474)	**(3,938,210)**	(2,794,291)
Total CET I capital	**21,678,677**	21,225,803	**16,407,076**	16,623,424
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	**1,698,491**	1,698,839	**1,698,491**	1,698,839
Additional Tier I capital before regulatory adjustments	**1,698,491**	1,698,839	**1,698,491**	1,698,839
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,698,491**	1,698,839	**1,298,491**	1,298,839
Total Tier I capital	**23,377,168**	22,924,642	**17,705,567**	17,922,263
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,832,523**	1,738,471	**1,399,403**	1,350,820
Subordinated bonds	**1,499,089**	1,499,970	**1,499,089**	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	(400,000)
Total Tier II capital	**3,331,612**	3,238,441	**2,498,492**	2,450,790
Total capital	**26,708,780**	26,163,083	**20,204,059**	20,373,053

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM990,816,000 (2022: RM643,141,000) and RM825,318,000 (2022: RM536,432,000) respectively.

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51 CAPITAL ADEQUACY (CONTINUED)

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

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Credit risk *	**146,601,855**	139,077,644	**111,952,229**	108,065,582
Market risk	**6,124,089**	3,917,894	**6,120,834**	3,934,497
Operational risk	**10,143,761**	9,327,630	**8,131,845**	7,485,705
Total RWA	**162,869,705**	152,323,168	**126,204,908**	119,485,784

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,588,912,000 (2022: RM1,899,820,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2023	2022
Before deducting proposed dividends		
CET I capital ratio	**11.423%**	11.176%
Tier I capital ratio	**12.653%**	12.550%
Total capital ratio	**15.051%**	15.101%
After deducting proposed dividends		
CET I capital ratio	**11.423%**	11.176%
Tier I capital ratio	**12.653%**	12.550%
Total capital ratio	**15.051%**	15.101%

52 SEGMENT REPORTING

Business segment reporting

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries and Associates. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

52 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2023							
Revenue							
- external	3,489,591	1,062,596	916,144	378,173	(125,409)	(35,586)	5,685,509
- inter-segment ^	(277,500)	575,743	(638,327)	4,542	335,542	-	-
Segment revenue	3,212,091	1,638,339	277,817	382,715	210,133	(35,586)	5,685,509
Overhead expenses of which:	(1,402,549)	(396,436)	(116,399)	(277,174)	(27,307)	(13,417)	(2,233,282)
Depreciation of property and equipment	38,972	5,025	2,514	5,189	58,204	135	110,039
Amortisation of intangible assets	9,569	4,729	2,396	15,123	26,315	-	58,132
(Allowance for)/written back of impairment losses on loans, advances and financing	(39,957)	(64,545)	-	(10,883)	-	3	(115,382)
Written back of/(allowance for) impairment losses on financial investments and other assets	-	-	3,093	63	-	(2,850)	306
Share of results of associated companies	-	-	-	1,289,480	-	-	1,289,480
Segment results	1,769,585	1,177,358	164,511	1,384,201	182,826	(51,850)	4,626,631
Taxation							(808,435)
Net profit for the financial year							3,818,196
Segment assets	117,470,664	49,536,437	73,326,625	24,149,486	-	-	264,483,212
Unallocated assets							15,367,242
Total assets							279,850,454
Segment liabilities	107,753,684	63,913,698	41,221,530	22,967,144	-	-	235,856,056
Unallocated liabilities							10,007,746
Total liabilities							245,863,802
Other significant segment items							
Capital expenditure	38,945	11,580	3,020	18,575	97,105	-	169,225

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

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

52 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2022							
Revenue							
- external	2,918,509	1,107,574	1,240,295	358,549	371,236	(398,755)	5,597,408
- inter-segment ^	(83,039)	381,506	(558,977)	-	260,510	-	-
Segment revenue	2,835,470	1,489,080	681,318	358,549	631,746	(398,755)	5,597,408
Overhead expenses of which:	(1,329,780)	(373,323)	(120,314)	(243,938)	(17,863)	(13,158)	(2,098,376)
Depreciation of property and equipment	44,772	5,348	3,437	6,107	61,700	135	121,499
Amortisation of intangible assets	8,899	3,122	2,051	12,130	27,760	-	53,962
Written back of/(allowance for) impairment losses on loans, advances and financing	24,545	(198,875)	-	(5,993)	18,482	(1,733)	(163,574)
Written back of impairment losses on financial investments and other assets	-	-	280	26	-	545	851
Share of results of associated companies	-	-	-	1,030,491	-	-	1,030,491
Segment results	1,530,235	916,882	561,284	1,139,135	632,365	(413,101)	4,366,800
Taxation							(1,077,517)
Net profit for the financial year							3,289,283
Segment assets	109,645,119	46,241,725	71,619,480	19,376,615	-	-	246,882,939
Unallocated assets							7,448,438
Total assets							254,331,377
Segment liabilities	106,909,492	52,396,000	39,316,576	18,273,006	-	-	216,895,074
Unallocated liabilities							6,447,327
Total liabilities							223,342,401
Other significant segment items							
Capital expenditure	43,504	24,091	5,705	24,581	53,239	-	151,120

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

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

Notes to the Financial Statements

for the financial year ended 30 June 2023

52 SEGMENT REPORTING (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.

- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2023					
Malaysia	**5,307,336**	**3,293,611**	**255,700,968**	**222,896,658**	**150,650**
Overseas operations	**378,173**	**8,844,449**	**24,149,486**	**22,967,144**	**18,575**
	5,685,509	**12,138,060**	**279,850,454**	**245,863,802**	**169,225**
2022					
Malaysia	5,238,859	3,323,753	234,954,762	205,069,395	126,539
Overseas operations	358,549	6,590,106	19,376,615	18,273,006	24,581
	5,597,408	9,913,859	254,331,377	223,342,401	151,120

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 14 October 2022, the Bank issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("HLB Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The HLB Capital Securities carry a distribution rate of 4.70% 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. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and as updated from time to time and for the refinancing of an existing tranche of RM400.0 million in nominal value of HLB Capital Securities issued previously under the HLB AT1 Programme on 30 November 2017.

(b) On 30 November 2022, the Bank had fully redeemed the RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities bearing coupon rate of 5.13% per annum.

(c) On 17 January 2023, the Bank announced that it had placed EB Nominees (Tempatan) Sendirian Berhad ("EB Nominees (Tempatan)"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Tempatan) is dormant.

(d) On 19 June 2023, the Bank issued a fourth tranche of RM500.0 million nominal value of 10-year non-callable 5 years Tier 2 Subordinated Notes ("Sub Notes") callable on 19 June 2028 (and thereafter) and due on 17 June 2033 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this fourth tranche of the Sub Notes is 4.20% per annum, which is payable semi-annually in arrears from the date of the issue.

(e) On 26 June 2023, the Bank had fully redeemed the RM500.0 million nominal value Tier 2 Subordinated Notes bearing coupon rate of 4.86% per annum.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

54 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

55 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Bank has concurrently implemented two (2) Executive Share Schemes during the financial year ended 30 June 2023.

(a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

The main features of the ESS 2013 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 2013 Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 23 October 2013 and 25 October 2012. The Board, as defined by the ESS 2013 Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

3. At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time.

4. The exercise of the options under the ESOS 2013 or the vesting of shares under the ESGS 2013 may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS 2013; or a combination of both new shares and existing shares.

(i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(i) ESOS 2013 (continued)

The main features of the ESOS 2013 are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS 2013 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day volume weighted average market price of the shares of the Bank preceding the date of offer as defined by the ESS Bye-Laws.

2. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS 2013 plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2023, there were no share options remain outstanding under the ESOS 2013.

The ordinary share options of the Bank granted under the ESOS 2013 that are still outstanding for the financial year ended 30 June 2022 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (adjusted to RM13.77 following the completion of the Rights Issue):

2022 Grant date	Expiry date	As at 1-Jul-21	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
2 April 2015	28 July 2021	66,502	-	-	(66,502)	-	-
		66,502	-	-	(66,502)	-	-

(B) 22,750,000 share options at an exercise price of RM16.46:

2022 Grant date	Expiry date	As at 1-Jul-21	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
15 December 2017	31 August 2021	4,760,000	-	(4,760,000)	-	-	-
15 December 2017	31 August 2022	4,760,000	-	(4,760,000)	-	-	-
15 December 2017	31 August 2023	2,380,000	-	(2,380,000)	-	-	-
		11,900,000	-	(11,900,000)*	-	-	-

* During the financial year ended 30 June 2022, a total of 11,900,000 options were forfeited and in lieu converted to 1,292,356 ordinary shares under ESGS 2013.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and had expired on 11 March 2023.

The shares to be vested to a grant holder under the ESGS 2013 will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

(A) 250,514 ordinary shares at date of grant:

2022 Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
8 January 2020	31 July 2021	115,254	-	(167)	(115,087)	-	-

(B) 228,728 ordinary shares at date of grant:

2023 Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-23	Exercisable As at 30-Jun-23
15 January 2021	31 July 2022	**112,400**	**-**	**(106)**	**(112,294)**	**-**	**-**

2022 Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
15 January 2021	31 January 2022	114,300	-	(1,739)	(112,561)	-	-
15 January 2021	31 July 2022	114,300	-	(1,900)	-	112,400	-
		228,600	-	(3,639)	(112,561)	112,400	-

(C) 1,292,356 ordinary shares at date of grant:

2023 Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-23	Exercisable As at 30-Jun-23
3 November 2021	24 November 2022	**430,785**	**-**	**-**	**(430,785)**	**-**	**-**
3 November 2021	24 November 2023	**430,786**	**-**	**-**	**-**	**430,786**	**-**
		861,571	**-**	**-**	**(430,785)**	**430,786**	**-**

Notes to the Financial Statements

for the financial year ended 30 June 2023

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(ii) ESGS 2013 (continued)

(C) 1,292,356 ordinary shares at date of grant: (continued)

2022						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-21	Granted	Forfeited	Transferred	30-Jun-22	30-Jun-22
3 November 2021	24 November 2021	-	430,785	-	(430,785)	-	-
3 November 2021	24 November 2022	-	430,785	-	-	430,785	-
3 November 2021	24 November 2023	-	430,786	-	-	430,786	-
		-	1,292,356	-	(430,785)	861,571	-

During the financial year ended 30 June 2023, a total of 543,079 ordinary shares were vested and transferred pursuant to the Bank's ESGS 2013, 106 ordinary shares forfeited with 430,786 ordinary shares remain outstanding.

The invested grant shares consisting of 430,785 ordinary shares granted under ESGS 2013 had been transferred to the new ESS 2022 established on 10 March 2023 due to the expiry of the ESS 2013 on 11 March 2023.

(b) Executive Share Scheme 2022 ("ESS 2022")

The ESS 2022, which is governed by the bye-laws ("Bye-Laws"), entails the making of one (1) or more of the following offers to the Eligible Executives:

(i) option(s) under the ESOS which entitle an Eligible Executive who has accepted the offer ("Option Holder(s)") to acquire ordinary shares in HLB ("Shares") at an exercise price to be determined by the Board at its discretion ("Option Price") ("Option(s)"); and/or

(ii) grant(s) under the ESGS which entitle an Eligible Executive who has accepted the offer ("Grant Holder(s)") to receive Shares without any consideration payable by the Grant Holder ("Grant(s)").

The Board may at its discretion impose such vesting conditions (including financial and performance targets, the performance period and vesting period, if any) as it deems fit with the offer of the Options and/or Grants ("Offer(s)"). In determining whether to make an Option Offer and/or a Grant Offer, the Board may take into consideration various factors such as market practice, the quantum of the award, the length of the performance period and the performance targets.

In implementing the ESS 2022, it is the intention of the Bank to have the flexibility, at the absolute discretion of the Board, to enable the satisfaction of the Options and/or Grants through the following:

(i) transfer of existing Shares (other than treasury Shares); and/or

(ii) cash settlement pursuant to the Bye-Laws.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) ESS 2022 (continued)

ESGS 2022

(A) 253,416 ordinary shares at date of grant:

2023						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	As at 30-Jun-23	As at 30-Jun-23
21 March 2022	31 January 2023	**126,708**	**-**	**(1,263)**	**(125,445)**	**-**	**-**
21 March 2022	31 July 2023	**126,708**	**-**	**(1,263)**	**-**	**125,445**	**-**
		253,416	**-**	**(2,526)**	**(125,445)**	**125,445**	**-**

2022						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	As at 30-Jun-22	As at 30-Jun-22
21 March 2022	31 January 2023	-	126,708	-	-	126,708	-
21 March 2022	31 July 2023	-	126,708	-	-	126,708	-
		-	253,416	-	-	253,416	-

(B) 124,944 ordinary shares at date of grant:

2023						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	As at 30-Jun-23	As at 30-Jun-23
1 March 2023	31 January 2024	**-**	**62,472**	**-**	**-**	**62,472**	**-**
1 March 2023	31 July 2024	**-**	**62,472**	**-**	**-**	**62,472**	**-**
		-	**124,944**	**-**	**-**	**124,944**	**-**

(C) 123,608 ordinary shares at date of grant:

2023						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	As at 30-Jun-23	As at 30-Jun-23
15 May 2023	31 January 2024	**-**	**61,804**	**-**	**-**	**61,804**	**-**
15 May 2023	31 July 2024	**-**	**61,804**	**-**	**-**	**61,804**	**-**
		-	**123,608**	**-**	**-**	**123,608**	**-**

During the financial year ended 30 June 2023, 124,944 ordinary shares and 123,608 ordinary shares have been granted on 1 March 2023 and 15 May 2023 respectively to eligible executives of the Bank pursuant to the Bank's ESS 2022.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) ESS 2022 (continued)

ESGS 2022 (continued)

During the financial year ended 30 June 2023, a total of 125,445 ordinary shares were vested and transferred pursuant to the Bank's ESS 2022, 2,526 ordinary shares forfeited with 373,997 ordinary shares remain outstanding.

During the financial year ended 30 June 2023, the Group and the Bank had written back the provision of share-based compensation expense arising from ESS of RM12.6 million (2022: a charge of RM6.9 million).

(c) Treasury shares for ESS

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2023		2022	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	**37,596**	**712,820**	38,265	782,902

56 IBOR REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR"), London Interbank Offered Rate denominated in USD ("USD LIBOR") and other inter-bank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group and the Bank have designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's and the Bank's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to KLIBOR and USD LIBOR. These fair value hedges are designated using interest rate swaps, for changes attributable to the respective current benchmark interest rates, which are MYR KLIBOR, Secured Overnight Financing Rate ("SOFR") and Singapore Overnight Rate Average ("SORA").

As part of the reforms noted above:

- In 2021, BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM had discontinued the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three- and six-month KLIBOR tenors, which continue to reflect an active underlying market, continued to be published. The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivative contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

- The UK Financial Conduct Authority ("FCA") has decided not to compel the panel banks to participate in the USD LIBOR submission process after 31 December 2021 (for GBP, EUR, JPY, CHF LIBOR and USD LIBOR 1-week and 2-month tenors) and after 30 June 2023 (the remaining US dollar settings).

- The Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee have discontinued the 6-month SIBOR on 31 March 2022, while the 1-month and 3-month SIBOR will be discontinued after December 2024.

The SOFR is expected to replace the USD LIBOR, and regulatory authorities and private sector working groups, had published recommendations to use USD SOFR compounded in arrears or USD Term SOFR, as alternatives to replace USD LIBOR for different financial products.

The Group Asset and Liability Committee oversees the Group's and the Bank's IBOR transition plan. The transition plan considers changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Group and the Bank continue to monitor market developments in relation to the transition and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

Notes to the Financial Statements

for the financial year ended 30 June 2023

56 IBOR REFORM (CONTINUED)

The Group and the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark:

	The Group		The Bank	
	Notional Amount		Notional Amount	
2023	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(a) Derivative assets/liabilities				
(i) Interest rate swaps				
- KLIBOR	58,825,948	62,576,051	58,683,091	62,544,601
(ii) Cross currency swaps				
- USD LIBOR	1,590,860	2,346,479	1,590,860	2,346,479
(iii) Option				
- KLIBOR	4,297,008	821,860	3,859,768	821,860
(b) Deposits from customers				
(i) Structured deposits				
- KLIBOR	-	3,857,080	-	3,413,390
(c) Loans, advances and financing				
- KLIBOR	330,773	-	330,773	-
- USD LIBOR	968,899	-	525,881	-
	1,299,672	-	856,654	-

56 IBOR REFORM (CONTINUED)

The Group and the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark: (continued)

	The Group		The Bank	
	Notional Amount		Notional Amount	
2022	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(a) Derivative assets/liabilities				
(i) Interest rate swaps				
- USD LIBOR	66,083	198,248	66,083	198,248
- KLIBOR	40,262,092	45,944,731	40,065,663	45,944,731
	40,328,175	46,142,979	40,131,746	46,142,979
(ii) Cross currency swaps				
- USD LIBOR	1,959,061	3,050,298	1,916,393	3,050,298
(iii) Option				
- KLIBOR	2,458,510	100,000	2,358,510	100,000
(b) Deposits from customers				
(i) Structured deposits				
- KLIBOR	-	2,418,510	-	2,318,510
(c) Loans, advances and financing				
- KLIBOR	457,376	-	457,376	-
- USD LIBOR	1,258,226	-	924,213	-
	1,715,602	-	1,381,589	-
(d) Bonds				
- USD LIBOR	88,110	-	88,110	-

57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, private consumption, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

(iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 48(d)(viii) to the financial statements.

While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group and the Bank have applied overlays to determine a sufficient overall level of ECL for the financial year ended 30 June 2023 amidst the on-going geopolitical conflicts, inflationary pressures from supply disruptions and elevated energy prices, and global monetary tightening coupled with the reopening of China's border/slower global growth that may have the impact to our economy.

The details of overlays and adjustments for expected credit losses are disclosed in Note 48(d)(ix) to the financial statements.

58 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 30, Menara Hong Leong, No.6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 September 2023.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Tan Kong Khoon and Lau Souk Huan, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 170 to 368 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 30 June 2023 and the financial performance and the cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

On behalf of the Board,

Tan Kong Khoon

Lau Souk Huan

Kuala Lumpur
19 September 2023

Statutory Declaration pursuant to Section 251(1) of the Companies Act 2016

I, Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 170 to 368 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed Malkiat Singh @)
Malkit Singh Maan A/L Delbara Singh at)
Kuala Lumpur in Wilayah Persekutuan on)
19 September 2023)

Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh
MIA No. CA9305

Before me,

Mohamad Zuliswandi bin Mohamed
Commissioner of Oaths

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of Hong Leong Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 170 to 368.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Report on the Audit of the Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>
<u>Impairment of loans, advances and financing for the Group and the Bank</u>

Refer to Note 2N of the summary of significant accounting policies and Notes 8, 37 and 57 to the financial statements.

We focused on this area due to the significant size of the carrying value of loans, advances and financing.

The expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

This is also an area of focus as it involves making significant judgement in applying the accounting requirements for measuring ECL, which include the following:

• Building and selecting the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model;

• Identification of loans, advances and financing that have experienced a significant increase in credit risk; and

• Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty that may impact the ECL.
</td><td>
We understood and tested the design and operating effectiveness of the controls relating to:

• Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss;

• Governance over the impairment processes, including model development, model approval and model validation, model monitoring and overlay;

• Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and

• Calculation, review and approval of the ECL computation.

<u>Individual assessment</u>

Where the loans, advances and financing are individually assessed, we performed the following procedures:

• Examined a sample of loans, advances and financing with focus on loans, advances and financing identified by the Group and the Bank as having lower credit quality, rescheduled and restructured, borrowers in high risk industries and borrowers affected by recent adverse market developments and formed our own judgement as to whether there was a significant increase in credit risk or objective evidence of impairment; and

• Where objective evidence of impairment was identified and impairment loss was individually calculated, we assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also reperformed the calculations of discounted cash flows.
</td></tr>
</table>

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have: • Assessed the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models; • Assessed and considered the reasonableness of forward-looking forecasts assumptions; • Assessed the reasonableness and tested the calculation of model overlay adjustments to the ECL; • Checked the accuracy of data inputs used in ECL models and checked the calculation of ECL amount on a sampling basis; and • Involved our financial risk modelling experts and IT specialists in areas such as reviewing the appropriateness of the ECL models and data reliability. Based on the procedures performed, we did not find any material exceptions to the Group's and the Bank's assessment on impairment of loans, advances and financing as at 30 June 2023.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur
19 September 2023

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2023

1. INTRODUCTION

The risk profile and risk management practices of Hong Leong Bank Berhad and its banking subsidiaries (collectively known as "the Bank") are disclosed in this document. These disclosures are in accordance with the requirements outlined in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank ("CAFIB") - Disclosure requirements (Pillar 3) issued by BNM.

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Bank is also required to maintain CCB of up to 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.0%, 8.5% and 10.5% respectively.

On 19 April 2023, BNM increased the allocation under the BNM's Fund for SMEs by RM1.3 billion through selected facilities namely the High Tech and Green Facility (HTG), Automation and Digitalisation Facility (ADF) and Agrofood Facility (AF) to further support the micro, small and medium enterprises (SMEs). The Bank will continue to provide support to SMEs involved in strategic sectors or critical technology segments through the HTG facility, incentivise the automation of processes and digitalisation of operations through the ADF facility, and provide financing to increase agrofood production through the AF facility.

The Bank has adopted the Standardised Approach for the computation of Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

The following information concerning the Bank's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report and does not form part of the audited financial statements.

2. SCOPE OF APPLICATION

The capital adequacy ratios of the Bank consist of capital base and RWA derived from the consolidated balances of the Bank and its banking subsidiaries, namely Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Bank Vietnam Limited and Hong Leong Bank (Cambodia) PLC.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as disclosed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) or where separation requirements (set by BNM) are met by entities.

During the course of the year, the Bank did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Bank.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2023

3. CAPITAL STRUCTURE AND ADEQUACY

The Bank monitors its capital adequacy position to ensure compliance with the requirements of BNM and allows for prompt actions to be taken to address projected capital deficiency. The capital position is reviewed on a monthly basis and takes into account the levels and trends of material risks. The sufficiency of capital is assessed against various risks on the balance sheet as well as future capital requirements based on the Bank's business plans.

The Bank has also formalised an overall capital management and planning policy, which seeks to ensure that it is in line with Basel III Capital Standards.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Bank as at 30 June 2023. BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the minimum capital adequacy ratios for the banking institutions and the methodologies for calculating these ratios. As at 30 June 2023, the Bank's CET I, Tier I capital ratio and Total capital ratio were higher than BNM's minimum requirements.

BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the constituents of the total eligible capital for the Bank. For the main features of these capital instruments, please refer to Note 26 and Note 27 to the financial statements.

Basel III

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

	The Group		The Bank	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Before deducting proposed dividends				
CET I capital ratio	**13.310%**	13.935%	**13.000%**	13.912%
Tier I capital ratio	**14.353%**	15.050%	**14.029%**	14.999%
Total capital ratio	**16.399%**	17.176%	**16.009%**	17.051%
After deducting proposed dividends				
CET I capital ratio	**12.824%**	13.428%	**12.372%**	13.266%
Tier I capital ratio	**13.866%**	14.543%	**13.401%**	14.353%
Total capital ratio	**15.912%**	16.669%	**15.381%**	16.404%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

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

	The Group		The Bank	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**25,017,703**	22,727,982	**15,727,832**	15,120,482
Other reserves	**947,836**	592,754	**2,905**	(283,282)
Less: Treasury shares	**(708,766)**	(713,690)	**(708,766)**	(713,690)
Less: Deferred tax assets	**(410,436)**	(528,771)	**(317,985)**	(403,666)
Less: Other intangible assets	**(362,435)**	(304,749)	**(326,216)**	(269,645)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(8,712,976)**	(6,455,474)	**(3,938,210)**	(2,794,291)
Total CET I capital	**21,678,677**	21,225,803	**16,407,076**	16,623,424
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**1,698,491**	1,698,839	**1,698,491**	1,698,839
Additional Tier I capital before regulatory adjustments	**1,698,491**	1,698,839	**1,698,491**	1,698,839
Less: Investments in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,698,491**	1,698,839	**1,298,491**	1,298,839
Total Tier I capital	**23,377,168**	22,924,642	**17,705,567**	17,922,263
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,832,523**	1,738,471	**1,399,403**	1,350,820
Subordinated bonds	**1,499,089**	1,499,970	**1,499,089**	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	(400,000)
Total Tier II capital	**3,331,612**	3,238,441	**2,498,492**	2,450,790
Total Capital	**26,708,780**	26,163,083	**20,204,059**	20,373,053

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM990,816,000 (2022: RM643,141,000) and RM825,318,000 (2022: RM536,432,000) respectively.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

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

	The Group		The Bank	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Credit risk *	**146,601,855**	139,077,644	**111,952,229**	108,065,582
Market risk	**6,124,089**	3,917,894	**6,120,834**	3,934,497
Operational risk	**10,143,761**	9,327,630	**8,131,845**	7,485,705
Total RWA	**162,869,705**	152,323,168	**126,204,908**	119,485,784

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,588,912,000 (2022: RM1,899,820,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2023	30 June 2022
Before deducting proposed dividends		
CET I capital ratio	**11.423%**	11.176%
Tier I capital ratio	**12.653%**	12.550%
Total capital ratio	**15.051%**	15.101%
After deducting proposed dividends		
CET I capital ratio	**11.423%**	11.176%
Tier I capital ratio	**12.653%**	12.550%
Total capital ratio	**15.051%**	15.101%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows:

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2023				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	59,748,413	59,748,413	-	-
Public Sector Entities	25,848	25,848	5,170	414
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	11,375,031	11,375,031	3,666,329	293,306
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	643,986	615,986	615,986	49,279
Corporates	58,341,208	55,931,802	49,626,908	3,970,153
Regulatory Retail	53,792,198	53,430,691	40,340,954	3,227,276
Residential Mortgages	69,768,087	69,737,838	31,979,976	2,558,398
Higher Risk Assets	16,660	16,660	24,990	1,999
Other Assets	6,064,948	6,064,948	3,257,175	260,574
Defaulted Exposures	645,007	620,212	667,381	53,390
Total On-Balance Sheet Exposures	260,421,386	257,567,429	130,184,869	10,414,789
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	4,193,781	4,193,781	2,180,837	174,467
Credit Derivatives	71,411	71,411	17,317	1,385
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,927,260	16,675,422	14,193,197	1,135,456
Defaulted Exposures	15,118	15,118	25,635	2,051
Total Off-Balance Sheet Exposures	21,207,570^	20,955,732	16,416,986	1,313,359
Total On and Off-Balance Sheet Exposures	281,628,956	278,523,161	146,601,855	11,728,148
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	142,997,388	139,141,596	5,331,875	426,550
Foreign Currency Risk	337,822	625,067	705,852	56,468
Equity Risk	14,303	-	61,376	4,910
Option Risk	-	-	24,986	1,999
Total	143,349,513	139,766,663	6,124,089	489,927
Operational Risk			10,143,761	811,501
Total RWA and Capital Requirements			162,869,705	13,029,576

Note:
CRM - credit risk mitigation
^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2022				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	52,853,792	52,853,792	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, DFIs and MDBs	11,007,818	11,007,818	3,164,386	253,151
Insurance Cos, SF and FM	555,839	555,751	555,751	44,460
Corporates	50,328,255	47,937,295	44,153,757	3,532,301
Regulatory Retail	50,995,417	50,602,924	38,053,868	3,044,309
Residential Mortgages	67,829,157	67,792,218	31,323,115	2,505,849
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	8,006,453	8,006,453	5,857,939	468,635
Defaulted Exposures	507,924	506,712	587,609	47,009
Total On-Balance Sheet Exposures	242,250,050	239,428,358	123,849,412	9,907,954
Off-Balance Sheet Exposures				
OTC Derivatives	3,288,070	3,288,070	1,795,810	143,665
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,274,365	16,023,952	13,400,965	1,072,077
Defaulted Exposures	14,598	14,306	22,073	1,766
Total Off-Balance Sheet Exposures	19,623,949^	19,373,244	15,228,232	1,218,259
Total On and Off-Balance Sheet Exposures	261,873,999	258,801,602	139,077,644	11,126,213
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	99,433,427	96,569,029	3,336,424	266,914
Foreign Currency Risk	323,629	520,701	565,592	45,247
Option Risk	-	-	15,878	1,270
Total	99,757,056	97,089,730	3,917,894	313,431
Operational Risk			9,327,630	746,210
Total RWA and Capital Requirements			152,323,168	12,185,854

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 411.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2023				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	45,204,417	45,204,417	-	-
Public Sector Entities	25,848	25,848	5,170	414
Banks, DFIs and MDBs	11,673,413	11,673,413	3,655,005	292,400
Insurance Cos, SF and FM	568,272	540,272	540,272	43,222
Corporates	44,567,163	42,643,691	38,089,653	3,047,172
Regulatory Retail	37,892,261	37,567,570	28,280,051	2,262,404
Residential Mortgages	54,474,676	54,448,755	24,624,342	1,969,947
Higher Risk Assets	16,660	16,660	24,990	1,999
Other Assets	5,665,880	5,665,880	3,206,600	256,528
Defaulted Exposures	440,638	438,556	494,077	39,526
Total On-Balance Sheet Exposures	200,529,228	198,225,062	98,920,160	7,913,612
Off-Balance Sheet Exposures				
OTC Derivatives	3,887,086	3,887,086	2,060,262	164,821
Credit Derivatives	71,411	71,411	17,317	1,385
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,103,967	12,871,416	10,937,743	875,019
Defaulted Exposures	9,226	9,226	16,747	1,340
Total Off-Balance Sheet Exposures	17,071,690^	16,839,139	13,032,069	1,042,565
Total On and Off-Balance Sheet Exposures	217,600,918	215,064,201	111,952,229	8,956,177
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	141,691,782	138,594,856	5,422,468	433,797
Foreign Currency Risk	243,974	612,004	612,004	48,960
Equity Risk	14,303	-	61,376	4,910
Option Risk	-	-	24,986	1,999
Total	141,950,059	139,206,860	6,120,834	489,666
Operational Risk			8,131,845	650,548
Total RWA and Capital Requirements			126,204,908	10,096,391

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2022				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	38,786,478	38,786,478	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, DFIs and MDBs	12,751,686	12,751,686	3,407,186	272,575
Insurance Cos, SF and FM	555,649	555,561	555,561	44,445
Corporates	38,625,466	36,547,316	34,139,739	2,731,179
Regulatory Retail	37,157,396	36,799,188	27,699,373	2,215,950
Residential Mortgages	53,218,307	53,186,896	24,122,578	1,929,806
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	7,131,626	7,131,626	5,262,359	420,989
Defaulted Exposures	411,499	410,571	482,587	38,607
Total On-Balance Sheet Exposures	188,803,502	186,334,717	95,822,370	7,665,791
Off-Balance Sheet Exposures				
OTC Derivatives	3,101,893	3,101,893	1,722,632	137,811
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,780,033	12,548,489	10,495,206	839,617
Defaulted Exposures	10,755	10,462	15,990	1,279
Total Off-Balance Sheet Exposures	15,939,597^	15,707,760	12,243,212	979,458
Total On and Off-Balance Sheet Exposures	204,743,099	202,042,477	108,065,582	8,645,249
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	98,880,446	96,414,681	3,402,616	272,209
Foreign Currency Risk	274,040	516,003	516,003	41,280
Option Risk	-	-	15,878	1,270
Total	99,154,486	96,930,684	3,934,497	314,759
Operational Risk			7,485,705	598,856
Total RWA and Capital Requirements			119,485,784	9,558,864

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 413.

4. RISK MANAGEMENT

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

As part of the risk management framework, the Bank has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management and planning policy to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Bank's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Bank's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies, and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

Operationally, the Bank operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Risk Management ("GRM") function being one of the components of the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GRM undertakes validation to ensure that the business and operating units are in compliance to the Bank's risk appetite thresholds and to the regulatory requirements. Coverage of the GRM function includes Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Risk, Technology Risk, Operational Risk, ICAAP and Stress Testing, Environment, Social and Governance ("ESG") Risk and Islamic Banking Risk.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management framework for the Bank.

The risk management process for each key risk area of the Bank and the various risk exposures are described in the following sections of the Pillar 3 disclosures.

(A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

The Bank has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Bank's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

The Bank's Independent Credit Review function conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Bank's Management as well as where appropriate, a countervailing perspective on credit risk management issues including the overall credit quality.

For any new products/product variation, credit risk assessment also forms part of the new product/product variation sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.

The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

Under the Basel II Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions ("ECAI") ratings and the prescribed risk weights on the above stated asset classes are used in the computation of regulatory capital. An exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by an ECAI. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category.

The ECAI used by the Bank are Fitch Ratings, Moody's Investors Service, Standard & Poor's, Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAI ratings are mapped to a common credit quality grade as prescribed by BNM.

In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios. In addition, the Bank's credit risk assessments are progressively enhanced to consider the effects of climate-related risks, as well as its impact on the ability and willingness of customers to honour their credit obligations.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

The Group	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**3,738,439**	**172,348**	**3,910,787**
Financial investments at fair value through other comprehensive income*	**28,388,139**	**5,400,881**	**33,789,020**
Financial investments at amortised cost	**29,698,005**	**1,496,060**	**31,194,065**
Loans, advances and financing	**165,977,730**	**13,925,117**	**179,902,847**
Derivative financial instruments	**2,017,300**	**151,124**	**2,168,424**
Total On-Balance Sheet Exposures	**229,819,613**	**21,145,530**	**250,965,143**
Off-Balance Sheet Exposures^			
OTC Derivatives	**3,915,368**	**278,413**	**4,193,781**
Credit Derivatives	**71,411**	**-**	**71,411**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**16,650,908**	**291,470**	**16,942,378**
Total Off-Balance Sheet Exposures	**20,637,687**	**569,883**	**21,207,570**
Total On and Off-Balance Sheet Exposures	**250,457,300**	**21,715,413**	**272,172,713**
30 June 2022			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	1,065,670	1,876,878	2,942,548
Financial investments at fair value through other comprehensive income*	23,773,424	2,339,493	26,112,917
Financial investments at amortised cost	31,377,076	981,338	32,358,414
Loans, advances and financing	154,760,494	11,727,127	166,487,621
Derivative financial instruments	1,777,988	85,312	1,863,300
Total On-Balance Sheet Exposures	212,754,652	17,010,148	229,764,800
Off-Balance Sheet Exposures^			
OTC Derivatives	3,178,204	109,866	3,288,070
Credit Derivatives	46,916	-	46,916
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,069,534	219,429	16,288,963
Total Off-Balance Sheet Exposures	19,294,654	329,295	19,623,949
Total On and Off-Balance Sheet Exposures	232,049,306	17,339,443	249,388,749

Note:

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410 and page 411.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2023

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows: (continued)

The Bank	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**2,978,291**	**172,348**	**3,150,639**
Financial investments at fair value through other comprehensive income*	**24,616,776**	**5,394,774**	**30,011,550**
Financial investments at amortised cost	**20,769,220**	**1,432,344**	**22,201,564**
Loans, advances and financing	**125,685,567**	**9,407,194**	**135,092,761**
Derivative financial instruments	**1,920,546**	**151,123**	**2,071,669**
Total On-Balance Sheet Exposures	**175,970,400**	**16,557,783**	**192,528,183**
Off-Balance Sheet Exposures^			
OTC Derivatives	**3,608,851**	**278,235**	**3,887,086**
Credit Derivatives	**71,411**	**-**	**71,411**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**13,019,756**	**93,437**	**13,113,193**
Total Off-Balance Sheet Exposures	**16,700,018**	**371,672**	**17,071,690**
Total On and Off-Balance Sheet Exposures	**192,670,418**	**16,929,455**	**209,599,873**
30 June 2022			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	657,940	1,876,878	2,534,818
Financial investments at fair value through other comprehensive income*	20,001,154	2,331,981	22,333,135
Financial investments at amortised cost	22,225,115	919,430	23,144,545
Loans, advances and financing	119,112,240	7,633,296	126,745,536
Derivative financial instruments	1,692,309	84,062	1,776,371
Total On-Balance Sheet Exposures	163,688,758	12,845,647	176,534,405
Off-Balance Sheet Exposures^			
OTC Derivatives	2,995,832	106,061	3,101,893
Credit Derivatives	46,916	-	46,916
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,750,992	39,796	12,790,788
Total Off-Balance Sheet Exposures	15,793,740	145,857	15,939,597
Total On and Off-Balance Sheet Exposures	179,482,498	12,991,504	192,474,002

Note:

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412 and page 413.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2023										
Agriculture	-	41,232	-	2,787,470	-	2,828,702	-	381,487	381,487	3,210,189
Mining and quarrying	-	-	-	115,556	-	115,556	-	27,051	27,051	142,607
Manufacturing	14,136	-	-	15,342,174	-	15,356,310	-	3,564,036	3,564,036	18,920,346
Electricity, gas and water	70,431	2,289,844	5,024	738,051	-	3,103,350	-	111,619	111,619	3,214,969
Construction	10,098	349,270	158,951	6,358,806	-	6,877,125	-	1,607,936	1,607,936	8,485,061
Wholesale and retail	-	33,156	-	16,176,215	-	16,209,371	-	2,727,458	2,727,458	18,936,829
Transport, storage and communications	9,868	181,083	-	5,706,490	-	5,897,441	-	341,582	341,582	6,239,023
Finance, insurance, real estate and business services	164,994	13,058,003	2,035,363	16,528,907	2,168,424	33,955,691	4,265,192	1,179,350	5,444,542	39,400,233
Government and government agencies	3,641,260	17,836,432	28,994,727	-	-	50,472,419	-	79,686	79,686	50,552,105
Education, health and others	-	-	-	1,538,040	-	1,538,040	-	124,984	124,984	1,663,024
Household	-	-	-	114,541,027	-	114,541,027	-	6,796,724	6,796,724	121,337,751
Others	-	-	-	70,111	-	70,111	-	465	465	70,576
Total On and Off-Balance Sheet Exposures	3,910,787	33,789,020	31,194,065	179,902,847	2,168,424	250,965,143	4,265,192	16,942,378	21,207,570	272,172,713

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2022										
Agriculture	24,365	41,252	-	3,161,634	-	3,227,251	-	360,796	360,796	3,588,047
Mining and quarrying	-	-	-	126,477	-	126,477	-	23,798	23,798	150,275
Manufacturing	-	-	-	14,120,195	-	14,120,195	-	2,925,571	2,925,571	17,045,766
Electricity, gas and water	15,418	1,826,396	431,237	720,058	-	2,993,109	-	95,259	95,259	3,088,368
Construction	10,195	287,553	160,904	4,954,202	-	5,412,854	-	1,161,094	1,161,094	6,573,948
Wholesale and retail	-	31,847	-	15,666,440	-	15,698,287	-	2,622,529	2,622,529	18,320,816
Transport, storage and communications	-	118,864	-	5,271,899	-	5,390,763	-	431,186	431,186	5,821,949
Finance, insurance, real estate and business services	172,153	9,044,626	1,122,291	14,112,171	1,863,300	26,314,541	3,334,986	1,103,589	4,438,575	30,753,116
Government and government agencies	2,720,417	14,762,379	30,643,982	-	-	48,126,778	-	68,545	68,545	48,195,323
Education, health and others	-	-	-	1,714,066	-	1,714,066	-	202,042	202,042	1,916,108
Household	-	-	-	106,595,675	-	106,595,675	-	7,279,506	7,279,506	113,875,181
Others	-	-	-	44,804	-	44,804	-	15,048	15,048	59,852
Total On and Off-Balance Sheet Exposures	2,942,548	26,112,917	32,358,414	166,487,621	1,863,300	229,764,800	3,334,986	16,288,963	19,623,949	249,388,749

* Excludes equity securities.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2023										
Agriculture	-	41,232	-	1,345,007	-	1,386,239	-	298,955	298,955	1,685,194
Mining and quarrying	-	-	-	88,340	-	88,340	-	21,474	21,474	109,814
Manufacturing	14,136	-	-	11,302,215	-	11,316,351	-	2,882,578	2,882,578	14,198,929
Electricity, gas and water	70,431	2,284,638	5,024	357,742	-	2,717,835	-	34,378	34,378	2,752,213
Construction	10,098	349,270	158,951	4,974,419	-	5,492,738	-	911,013	911,013	6,403,751
Wholesale and retail	-	33,156	-	12,036,274	-	12,069,430	-	2,176,797	2,176,797	14,246,227
Transport, storage and communications	9,868	181,083	-	5,178,405	-	5,369,356	-	272,299	272,299	5,641,655
Finance, insurance, real estate and business services	163,712	12,807,144	1,244,885	12,766,941	2,071,669	29,054,351	3,958,497	814,727	4,773,224	33,827,575
Government and government agencies	2,882,394	14,315,027	20,792,704	-	-	37,990,125	-	79,686	79,686	38,069,811
Education, health and others	-	-	-	720,459	-	720,459	-	58,932	58,932	779,391
Household	-	-	-	86,261,100	-	86,261,100	-	5,562,354	5,562,354	91,823,454
Others	-	-	-	61,859	-	61,859	-	-	-	61,859
Total On and Off-Balance Sheet Exposures	3,150,639	30,011,550	22,201,564	135,092,761	2,071,669	192,528,183	3,958,497	13,113,193	17,071,690	209,599,873

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2022										
Agriculture	24,365	41,252	-	1,693,048	-	1,758,665	-	253,524	253,524	2,012,189
Mining and quarrying	-	-	-	95,998	-	95,998	-	19,038	19,038	115,036
Manufacturing	-	-	-	10,655,006	-	10,655,006	-	2,310,970	2,310,970	12,965,976
Electricity, gas and water	15,418	1,800,892	264,181	296,288	-	2,376,779	-	53,609	53,609	2,430,388
Construction	10,195	287,553	160,904	3,911,381	-	4,370,033	-	862,380	862,380	5,232,413
Wholesale and retail	-	31,847	-	12,039,302	-	12,071,149	-	2,011,495	2,011,495	14,082,644
Transport, storage and communications	-	118,864	-	4,761,090	-	4,879,954	-	351,075	351,075	5,231,029
Finance, insurance, real estate and business services	163,056	8,765,571	873,690	10,801,366	1,776,371	22,380,054	3,148,809	825,919	3,974,728	26,354,782
Government and government agencies	2,321,784	11,287,156	21,845,770	-	-	35,454,710	-	68,545	68,545	35,523,255
Education, health and others	-	-	-	891,452	-	891,452	-	98,809	98,809	990,261
Household	-	-	-	81,566,321	-	81,566,321	-	5,934,981	5,934,981	87,501,302
Others	-	-	-	34,284	-	34,284	-	443	443	34,727
Total On and Off-Balance Sheet Exposures	2,534,818	22,333,135	23,144,545	126,745,536	1,776,371	176,534,405	3,148,809	12,790,788	15,939,597	192,474,002

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

The Group	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2023				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**2,090,705**	**480,689**	**1,339,393**	**3,910,787**
Financial investments at fair value through other comprehensive income*	**5,340,047**	**27,530,664**	**918,309**	**33,789,020**
Financial investments at amortised cost	**1,784,522**	**28,365,414**	**1,044,129**	**31,194,065**
Loans, advances and financing	**32,551,388**	**17,566,100**	**129,785,359**	**179,902,847**
Derivative financial instruments	**1,140,489**	**819,048**	**208,887**	**2,168,424**
Total On-Balance Sheet Exposures	**42,907,151**	**74,761,915**	**133,296,077**	**250,965,143**
Off-Balance Sheet Exposures^				
OTC Derivatives	**3,334,379**	**662,959**	**196,443**	**4,193,781**
Credit Derivatives	**10,119**	**-**	**61,292**	**71,411**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**8,460,089**	**8,482,289**	**-**	**16,942,378**
Total Off-Balance Sheet Exposures	**11,804,587**	**9,145,248**	**257,735**	**21,207,570**
Total On and Off-Balance Sheet Exposures	**54,711,738**	**83,907,163**	**133,553,812**	**272,172,713**
30 June 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	2,319,944	455,783	166,821	2,942,548
Financial investments at fair value through other comprehensive income*	2,572,169	18,834,057	4,706,691	26,112,917
Financial investments at amortised cost	5,599,963	21,641,147	5,117,304	32,358,414
Loans, advances and financing	30,258,048	17,826,589	118,402,984	166,487,621
Derivative financial instruments	896,363	673,666	293,271	1,863,300
Total On-Balance Sheet Exposures	41,646,487	59,431,242	128,687,071	229,764,800
Off-Balance Sheet Exposures^				
OTC Derivatives	2,459,820	388,512	439,738	3,288,070
Credit Derivatives	-	-	46,916	46,916
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	7,612,127	8,676,836	-	16,288,963
Total Off-Balance Sheet Exposures	10,071,947	9,065,348	486,654	19,623,949
Total On and Off-Balance Sheet Exposures	51,718,434	68,496,590	129,173,725	249,388,749

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410 and page 411.

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for the financial year ended 30 June 2023

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows: (continued)

The Bank	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2023				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**1,495,673**	**377,894**	**1,277,072**	**3,150,639**
Financial investments at fair value through other comprehensive income*	**5,233,315**	**23,859,926**	**918,309**	**30,011,550**
Financial investments at amortised cost	**1,436,671**	**19,720,764**	**1,044,129**	**22,201,564**
Loans, advances and financing	**26,296,023**	**13,328,281**	**95,468,457**	**135,092,761**
Derivative financial instruments	**1,039,539**	**825,996**	**206,134**	**2,071,669**
Total On-Balance Sheet Exposures	**35,501,221**	**58,112,861**	**98,914,101**	**192,528,183**
Off-Balance Sheet Exposures^				
OTC Derivatives	**3,111,363**	**590,896**	**184,827**	**3,887,086**
Credit Derivatives	**10,119**	**-**	**61,292**	**71,411**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**6,882,313**	**6,230,880**	**-**	**13,113,193**
Total Off-Balance Sheet Exposures	**10,003,795**	**6,821,776**	**246,119**	**17,071,690**
Total On and Off-Balance Sheet Exposures	**45,505,016**	**64,934,637**	**99,160,220**	**209,599,873**
30 June 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	1,912,215	455,782	166,821	2,534,818
Financial investments at fair value through other comprehensive income*	2,526,533	16,544,469	3,262,133	22,333,135
Financial investments at amortised cost	4,083,106	15,414,614	3,646,825	23,144,545
Loans, advances and financing	24,844,109	13,340,417	88,561,010	126,745,536
Derivative financial instruments	813,570	672,718	290,083	1,776,371
Total On-Balance Sheet Exposures	34,179,533	46,428,000	95,926,872	176,534,405
Off-Balance Sheet Exposures^				
OTC Derivatives	2,309,499	384,307	408,087	3,101,893
Credit Derivatives	-	-	46,916	46,916
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	6,381,890	6,408,898	-	12,790,788
Total Off-Balance Sheet Exposures	8,691,389	6,793,205	455,003	15,939,597
Total On and Off-Balance Sheet Exposures	42,870,922	53,221,205	96,381,875	192,474,002

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412 and page 413.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows:

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2023							
Agriculture	5,478	3,518	9,424	1,638	336	383	48
Mining and quarrying	2,344	3,029	601	115	1,187	1,294	58
Manufacturing	78,477	144,477	53,877	13,751	68,638	62,364	23,486
Electricity, gas and water	9,113	1,146	6,292	339	736	194	29
Construction	97,116	90,551	35,099	14,219	47,469	28,054	2,336
Wholesale and retail	173,434	152,397	89,717	27,696	67,695	24,777	9,615
Transport, storage and communications	11,471	8,465	11,936	1,362	3,408	3,029	1,775
Finance, insurance, real estate and business services	113,341	83,591	82,707	19,984	18,312	(2,524)	6,910
Education, health and others	11,476	11,942	6,008	2,091	3,639	1,105	446
Household	5,320,185	542,768	669,950	300,560	199,724	275,638	261,442
Others	-	-	654	-	-	-	-
	5,822,435	1,041,884	966,265	381,755	411,144	394,314	306,145

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses (write back)/charges and write-offs for Stage 3 during the period as follows:

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	(Write back)/ charges lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2022							
Agriculture	3,112	3,394	11,149	1,093	79	(284)	55
Mining and quarrying	754	168	531	1,043	20	182,816	183,951
Manufacturing	47,259	55,892	55,162	37,821	30,648	4,844	50
Electricity, gas and water	1,163	1,171	9,850	1,424	595	(49)	-
Construction	95,163	60,730	31,013	16,948	23,820	8,408	1,257
Wholesale and retail	80,296	138,539	84,664	35,396	55,544	38,207	1,138
Transport, storage and communications	13,607	5,830	12,007	1,831	2,350	3,055	141
Finance, insurance, real estate and business services	56,610	113,038	73,195	20,396	28,929	9,439	278
Education, health and others	13,038	12,379	5,538	6,631	3,371	1,016	52
Household	4,173,270	428,609	693,592	301,126	190,291	282,356	238,916
Others	70	-	218	167	-	-	-
	4,484,342	819,750	976,919	423,876	335,647	529,808	425,838

Basel II Pillar 3 Disclosures

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows:

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2023							
Agriculture	3,969	3,518	5,378	870	336	383	48
Mining and quarrying	914	3,029	453	32	1,187	1,242	6
Manufacturing	47,547	44,194	37,839	10,468	24,992	19,010	23,486
Electricity, gas and water	9,113	-	2,974	339	-	-	-
Construction	72,923	81,924	27,800	11,115	44,402	27,489	2,336
Wholesale and retail	154,358	100,428	58,786	24,091	49,482	17,655	9,467
Transport, storage and communications	10,105	8,177	9,703	1,136	3,387	2,998	1,764
Finance, insurance, real estate and business services	103,452	74,410	54,480	17,726	14,653	(3,728)	6,900
Education, health and others	10,400	9,213	3,166	700	3,024	863	446
Household	3,453,566	351,707	511,536	199,331	118,832	172,441	183,228
Others	-	-	31	-	-	-	-
	3,866,347	676,600	712,146	265,808	260,295	238,353	227,681

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses (write back)/charges and write-offs for Stage 3 during the period as follows:

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	(Write back)/charges lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2022							
Agriculture	3,073	3,394	5,261	784	79	(284)	55
Mining and quarrying	754	168	400	939	20	(72)	-
Manufacturing	23,641	53,258	40,408	22,043	30,064	4,602	50
Electricity, gas and water	1,161	-	3,228	389	-	(82)	-
Construction	71,665	54,361	23,672	11,898	21,049	8,392	1,257
Wholesale and retail	59,556	104,844	55,721	29,538	43,618	28,104	1,138
Transport, storage and communications	11,344	5,828	9,670	1,708	2,348	1,144	141
Finance, insurance, real estate and business services	44,761	104,163	48,190	19,158	26,032	8,745	278
Education, health and others	10,608	11,026	3,541	759	2,931	531	52
Household	2,935,563	310,604	555,590	208,954	133,016	204,118	175,365
Others	70	-	54	33	-	-	-
	3,162,196	647,646	745,735	296,203	259,157	255,198	178,336

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3) as follows:

	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000
The Group					
30 June 2023					
Malaysia	**5,749,913**	**982,267**	**948,736**	**378,040**	**392,335**
Other countries	**72,522**	**59,617**	**17,529**	**3,715**	**18,809**
	5,822,435	**1,041,884**	**966,265**	**381,755**	**411,144**
The Bank					
30 June 2023					
Malaysia	**3,841,194**	**675,119**	**705,598**	**265,773**	**259,597**
Other countries	**25,153**	**1,481**	**6,548**	**35**	**698**
	3,866,347	**676,600**	**712,146**	**265,808**	**260,295**
The Group					
30 June 2022					
Malaysia	4,395,535	805,638	955,661	419,958	332,877
Other countries	88,807	14,112	21,258	3,918	2,770
	4,484,342	819,750	976,919	423,876	335,647
The Bank					
30 June 2022					
Malaysia	3,135,741	646,805	733,871	295,998	258,792
Other countries	26,455	841	11,864	205	365
	3,162,196	647,646	745,735	296,203	259,157

Note:

(1) A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

(2) For description of approaches adopted by the Group and the Bank for the determination of expected credit losses impairment, refer to Note 2N to the financial statements.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows:

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2023				
At 1 July	976,919	423,876	335,647	1,736,442
Changes in ECL due to transfer within stages	(44,041)	(203,150)	247,191	-
Transfer to Stage 1	35,330	(35,233)	(97)	-
Transfer to Stage 2	(76,350)	145,877	(69,527)	-
Transfer to Stage 3	(3,021)	(313,794)	316,815	-
New financial assets originated	46,534	855	54	47,443
Financial assets derecognised	(15,723)	(30,658)	(25,835)	(72,216)
Changes due to change in credit risk	(5,294)	186,477	172,701	353,884
Modifications to contractual cash flows of financial asset	366	1,078	203	1,647
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(306,145)	(306,145)
Exchange difference	1,757	571	(615)	1,713
Other movements	-	-	(12,057)	(12,057)
At 30 June	966,265	381,755	411,144	1,759,164

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2023				
At 1 July	745,735	296,203	259,157	1,301,095
Changes in ECL due to transfer within stages	(33,871)	(133,368)	167,239	-
Transfer to Stage 1	23,273	(23,177)	(96)	-
Transfer to Stage 2	(55,203)	102,604	(47,401)	-
Transfer to Stage 3	(1,941)	(212,795)	214,736	-
New financial assets originated	32,000	199	2	32,201
Financial assets derecognised	(10,249)	(19,385)	(17,393)	(47,027)
Changes due to change in credit risk	(27,596)	118,445	88,581	179,430
Modifications to contractual cash flows of financial asset	366	1,103	(76)	1,393
Changes in models/risk parameters	4,451	2,572	-	7,023
Amount written off	-	-	(227,681)	(227,681)
Exchange difference	1,310	39	(160)	1,189
Other movements	-	-	(9,374)	(9,374)
At 30 June	712,146	265,808	260,295	1,238,249

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2022				
At 1 July	1,074,984	459,674	234,509	1,769,167
Changes in ECL due to transfer within stages	(57,015)	(237,985)	295,000	-
Transfer to Stage 1	33,219	(33,172)	(47)	-
Transfer to Stage 2	(87,703)	147,995	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,269	230	299	39,798
Financial assets derecognised	(16,026)	(26,665)	(15,760)	(58,451)
Changes due to change in credit risk	(60,303)	235,583	250,653	425,933
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,838)	(425,838)
Exchange difference	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June	976,919	423,876	335,647	1,736,442

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2022				
At 1 July	818,437	326,761	186,098	1,331,296
Changes in ECL due to transfer within stages	(39,809)	(80,113)	119,922	-
Transfer to Stage 1	24,038	(24,007)	(31)	-
Transfer to Stage 2	(62,553)	103,838	(41,285)	-
Transfer to Stage 3	(1,294)	(159,944)	161,238	-
New financial assets originated	24,649	198	3	24,850
Financial assets derecognised	(6,553)	(16,235)	(9,573)	(32,361)
Changes due to change in credit risk	(47,827)	71,620	145,195	168,988
Changes in models/risk parameters	(3,638)	(6,080)	(349)	(10,067)
Amount written off	-	-	(178,336)	(178,336)
Exchange difference	476	52	12	540
Other movements	-	-	(3,815)	(3,815)
At 30 June	745,735	296,203	259,157	1,301,095

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

The Group 30 June 2023	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	59,926,844	-	-	-	-	-	-	-	1,566,391	61,493,235	-
20%	-	610,585	7,447,706	190	6,298,000	-	-	-	1,580,128	15,936,609	3,171,171
35%	-	-	-	-	-	-	45,378,832	-	-	45,378,832	15,882,591
50%	-	-	6,304,502	-	620,036	27,802	16,154,909	-	-	23,107,249	11,524,797
75%	-	-	-	-	-	60,375,610	28,500	-	-	60,404,110	45,303,083
100%	-	-	-	1,108,190	56,935,840	2,514,731	8,483,936	-	2,948,431	71,991,128	71,991,128
150%	-	-	-	-	70,690	124,628	-	16,680	-	211,998	317,997
Total	59,926,844	610,585	13,752,208	1,108,380	63,924,566	63,042,771	70,046,177	16,680	6,094,950	278,523,161	148,190,767
Risk Weighted Assets by Exposure	-	122,117	4,596,813	1,108,228	58,611,493	47,997,282	32,465,357	25,020	3,264,457	148,190,767	
Average Risk Weight	0%	20.00%	33.43%	99.99%	91.69%	76.13%	46.35%	150.00%	53.56%	53.21%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Group 30 June 2022	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	53,049,498	-	-	-	-	-	-	-	1,370,428	54,419,926	-
20%	-	411,661	8,387,245	-	3,187,152	-	-	-	991,238	12,977,296	2,590,235
35%	-	-	-	-	-	-	43,276,151	-	-	43,276,151	15,146,653
50%	-	-	4,492,863	-	482,378	22,825	16,072,070	-	-	21,070,136	10,528,807
75%	-	-	-	-	-	57,946,697	53,736	-	-	58,000,433	43,500,325
100%	-	-	-	984,004	50,956,317	2,551,650	8,583,331	-	5,674,789	68,750,091	68,750,091
150%	-	-	-	-	93,825	121,499	-	92,245	-	307,569	461,354
Total	53,049,498	411,661	12,880,108	984,004	54,719,672	60,642,671	67,985,288	92,245	8,036,455	258,801,602	140,977,465
Risk Weighted Assets by Exposure	-	82,332	3,912,395	984,004	51,975,674	46,205,334	31,806,321	138,368	5,873,037	140,977,465	
Average Risk Weight	0%	20.00%	30.38%	100.00%	94.99%	76.19%	46.78%	150.00%	73.08%	54.47%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank 30 June 2023	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	45,382,848	-	-	-	-	-	-	-	1,237,583	46,620,431	-
20%	-	456,646	8,084,307	190	5,382,536	-	-	-	1,537,124	15,460,803	3,092,161
35%	-	-	-	-	-	-	36,905,594	-	-	36,905,594	12,916,958
50%	-	-	5,833,129	-	607,310	18,997	11,742,866	-	-	18,202,302	9,101,151
75%	-	-	-	-	-	44,473,923	24,981	-	-	44,498,904	33,374,178
100%	-	-	-	1,005,135	42,791,003	486,743	6,008,880	-	2,901,175	53,192,936	53,192,934
150%	-	-	-	-	69,125	97,426	-	16,680	-	183,231	274,847
Total	45,382,848	456,646	13,917,436	1,005,325	48,849,974	45,077,089	54,682,321	16,680	5,675,882	215,064,201	111,952,229
Risk Weighted Assets by Exposure	-	91,329	4,533,426	1,005,173	44,274,852	33,997,822	24,816,007	25,020	3,208,600	111,952,229	
Average Risk Weight	0%	20.00%	32.57%	99.98%	90.63%	75.42%	45.38%	150.00%	56.53%	52.06%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank 30 June 2022	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	38,982,184	-	-	-	-	-	-	-	1,124,960	40,107,144	-
20%	-	333,909	10,481,908	-	2,796,496	-	-	-	940,385	14,552,698	2,910,540
35%	-	-	-	-	-	-	35,599,468	-	-	35,599,468	12,459,814
50%	-	-	4,035,438	-	480,207	19,724	11,847,620	-	-	16,382,989	8,191,495
75%	-	-	-	-	-	44,105,338	43,931	-	-	44,149,269	33,111,949
100%	-	-	-	977,854	38,624,875	443,030	5,847,119	-	5,076,282	50,969,160	50,969,160
150%	-	-	-	-	87,744	101,767	-	92,238	-	281,749	422,624
Total	38,982,184	333,909	14,517,346	977,854	41,989,322	44,669,859	53,338,138	92,238	7,141,627	202,042,477	108,065,582
Risk Weighted Assets by Exposure	-	66,782	4,114,101	977,854	39,555,892	33,684,546	24,263,691	138,357	5,264,359	108,065,582	
Average Risk Weight	0%	20.00%	28.34%	100.00%	94.20%	75.41%	45.49%	150.00%	73.71%	53.49%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs

The Group	Moody's S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2023						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**25,848**	**-**	**-**	**-**	**584,737**
Insurance Cos, SF and FM		**190**	**-**	**137,653**	**-**	**970,537**
Corporates		**6,233,788**	**603,649**	**366,425**	**-**	**56,720,704**
		6,259,826	**603,649**	**504,078**	**-**	**58,275,978**
30 June 2022						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	73,157	-	-	338,504
Insurance Cos, SF and FM		-	-	156,504	-	827,500
Corporates		3,084,043	366,596	414,562	-	50,854,471
		3,084,043	439,753	571,066	-	52,020,475

4. **RISK MANAGEMENT (CONTINUED)**

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs (continued)

The Bank	Moody's S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2023						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**25,848**	**-**	**-**	**-**	**430,798**
Insurance Cos, SF and FM		**190**	**-**	**137,653**	**-**	**867,482**
Corporates		**5,318,324**	**601,949**	**346,425**	**-**	**42,583,276**
		5,344,362	**601,949**	**484,078**	**-**	**43,881,556**
30 June 2022						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	73,157	-	-	260,752
Insurance Cos, SF and FM		-	-	156,504	-	821,350
Corporates		2,693,387	364,896	314,054	-	38,616,985
		2,693,387	438,053	470,558	-	39,699,087

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
The Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2023							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**4,536,414**	**50,016**	**134,549**	**278,799**	**-**	**54,927,066**
Banks, DFIs and MDBs		**3,273,899**	**5,001,693**	**2,124,530**	**43,120**	**-**	**3,308,966**
		7,810,313	**5,051,709**	**2,259,079**	**321,919**	**-**	**58,236,032**
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		516,635	1,582,213	123,614	248,512	-	50,578,524
Banks, DFIs and MDBs		1,951,956	2,106,317	2,187,383	520,991	-	6,113,461
		2,468,591	3,688,530	2,310,997	769,503	-	56,691,985

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (continued)

The Bank							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2023							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**4,536,414**	**50,016**	**-**	**-**	**-**	**40,796,418**
Banks, DFIs and MDBs		**4,601,078**	**4,927,590**	**1,900,238**	**-**	**-**	**2,488,530**
		9,137,492	**4,977,606**	**1,900,238**	**-**	**-**	**43,284,948**
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		516,635	1,582,213	-	-	-	36,883,336
Banks, DFIs and MDBs		5,037,233	2,010,442	1,934,534	-	-	5,535,137
		5,553,868	3,592,655	1,934,534	-	-	42,418,473

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation

The Bank grants credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted include cash, marketable securities, properties, machineries, equipments, inventories and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for the amount sought. There are policies and processes in place to monitor collateral concentration. For Credit Risk Management ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Bank uses the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2023			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	59,748,413	-	-
Public Sector Entities	25,848	-	-
Banks, DFIs and MDBs	11,375,031	-	-
Insurance Cos, SF and FM	643,986	-	28,000
Corporates	58,341,208	-	2,409,406
Regulatory Retail	53,792,198	-	361,507
Residential Mortgages	69,768,087	-	30,249
Higher Risk Assets	16,660	-	-
Other Assets	6,064,948	-	-
Defaulted Exposures	645,007	-	24,795
Total On-Balance Sheet Exposures	260,421,386	-	2,853,957
Off-Balance Sheet Exposures			
OTC Derivatives	4,193,781	-	-
Credit Derivatives	71,411	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,927,260	-	251,838
Defaulted Exposures	15,118	-	-
Total Off-Balance Sheet Exposures	21,207,570	-	251,838
Total On and Off-Balance Sheet Exposures	281,628,956	-	3,105,795

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	52,853,792	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	11,007,818	-	-
Insurance Cos, SF and FM	555,839	-	88
Corporates	50,328,255	-	2,390,960
Regulatory Retail	50,995,417	-	392,493
Residential Mortgages	67,829,157	-	36,939
Higher Risk Assets	92,238	-	-
Other Assets	8,006,453	-	-
Defaulted Exposures	507,924	-	1,212
Total On-Balance Sheet Exposures	242,250,050	-	2,821,692
Off-Balance Sheet Exposures			
OTC Derivatives	3,288,070	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,274,365	-	250,413
Defaulted Exposures	14,598	-	292
Total Off-Balance Sheet Exposures	19,623,949	-	250,705
Total On and Off-Balance Sheet Exposures	261,873,999	-	3,072,397

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2023			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	45,204,417	-	-
Public Sector Entities	25,848	-	-
Banks, DFIs and MDBs	11,673,413	-	-
Insurance Cos, SF and FM	568,272	-	28,000
Corporates	44,567,163	-	1,923,472
Regulatory Retail	37,892,261	-	324,691
Residential Mortgages	54,474,676	-	25,921
Higher Risk Assets	16,660	-	-
Other Assets	5,665,880	-	-
Defaulted Exposures	440,638	-	2,082
Total On-Balance Sheet Exposures	200,529,228	-	2,304,166
Off-Balance Sheet Exposures			
OTC Derivatives	3,887,086	-	-
Credit Derivatives	71,411	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,103,967	-	232,551
Defaulted Exposures	9,226	-	-
Total Off-Balance Sheet Exposures	17,071,690	-	232,551
Total On and Off-Balance Sheet Exposures	217,600,918	-	2,536,717

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	38,786,478	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	12,751,686	-	-
Insurance Cos, SF and FM	555,649	-	88
Corporates	38,625,466	-	2,078,150
Regulatory Retail	37,157,396	-	358,208
Residential Mortgages	53,218,307	-	31,411
Higher Risk Assets	92,238	-	-
Other Assets	7,131,626	-	-
Defaulted Exposures	411,499	-	928
Total On-Balance Sheet Exposures	188,803,502	-	2,468,785
Off-Balance Sheet Exposures			
OTC Derivatives	3,101,893	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,780,033	-	231,544
Defaulted Exposures	10,755	-	293
Total Off-Balance Sheet Exposures	15,939,597	-	231,837
Total On and Off-Balance Sheet Exposures	204,743,099	-	2,700,622

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to the Bank. To control over-exposure of counterparty credit risk, credit limits are established for each trading counterparty. The credit limits are determined individually based on its credit strength and profile, which also takes into consideration the Bank's risk appetite and trading strategies.

Appropriate methodologies have been implemented to measure counterparty credit risk against credit limits of each trading counterparty. These measurement methodologies implemented are in line with BNM's Capital Adequacy Framework on the treatment of counterparty credit risk.

The Bank also engages in netting and margining agreements with major trading counterparties to mitigate counterparty credit risks. Under these agreements, the counterparty credit exposures are mitigated with collaterals whenever the exposures exceed the margin threshold.

Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Bank to support the financial obligations of their customers to third parties.

Non credit related contingent items represent financial products such as Performance Guarantee whose crystallisations are dependent on specific events other than default payment by the customers.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been accepted by the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Bank, where drawdown is certain to occur.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Bank is obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currencies at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2023				
Commitments and Contingent Liabilities				
Direct credit substitutes	224,515	-	224,515	217,515
Transaction related contingent items	2,594,402	-	1,297,201	1,262,523
Short term self liquidating trade related contingencies	1,063,924	-	212,785	210,780
Irrevocable commitments to extend credit:				
- More than one year	17,073,556	-	8,535,976	6,672,055
- Less than one year	26,457,159	-	5,291,432	4,818,762
Unutilised credit card lines	6,902,344	-	1,380,469	1,037,197
	54,315,900	-	16,942,378	14,218,832
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	63,906,468	1,060,098	3,240,963	1,330,633
- One year to five years	7,321,941	160,566	212,330	212,330
- Over five years	737,005	36,840	47,174	47,175
Interest/profit rate related contracts:				
- Less than one year	45,361,203	65,822	1,904	1,610
- One year to five years	81,071,444	601,438	360,954	345,652
- Over five years	4,399,525	85,919	149,269	143,484
Equity related contracts:				
- Less than one year	487,429	6,950	34,963	20,191
- One year to five years	668,393	57,044	89,674	45,323
Credit related contracts:				
- Less than one year	121,391	6,477	10,119	5,059
- Over five years	1,225,853	86,128	61,292	12,258
Commodity related contracts				
- Less than one year	554,082	1,142	56,550	34,439
	205,854,734	2,168,424	4,265,192	2,198,154
	260,170,634	2,168,424	21,207,570	16,416,986

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2022				
Commitments and Contingent Liabilities				
Direct credit substitutes	137,103	-	137,103	134,866
Transaction related contingent items	2,024,547	-	1,012,274	968,976
Short term self liquidating trade related contingencies	853,412	-	170,682	168,415
Irrevocable commitments to extend credit:				
- More than one year	17,538,803	-	8,768,099	6,836,899
- Less than one year	23,913,907	-	4,782,781	4,249,310
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	51,557,893	-	16,288,963	13,423,038
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	55,995,785	847,790	2,392,914	1,040,612
- One year to five years	5,944,644	126,821	134,013	133,310
- Over five years	396,495	21,252	-	-
Interest/profit rate related contracts:				
- Less than one year	34,692,744	44,604	3,130	626
- One year to five years	52,644,892	535,537	173,984	164,499
- Over five years	4,395,228	138,990	321,999	312,959
Equity related contracts:				
- Less than one year	245,878	2,212	16,769	8,696
- One year to five years	102,699	11,904	20,121	10,060
- Over five years	270,542	90,686	117,740	58,869
Credit related contracts:				
- Over five years	938,327	39,156	46,916	9,384
Commodity related contracts				
- Less than one year	438,428	1,757	45,600	28,063
- One year to five years	493,416	2,591	61,800	38,116
	156,559,078	1,863,300	3,334,986	1,805,194
	208,116,971	1,863,300	19,623,949	15,228,232

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2023				
Commitments and Contingent Liabilities				
Direct credit substitutes	217,046	-	217,046	210,046
Transaction related contingent items	1,819,394	-	909,697	879,749
Short term self liquidating trade related contingencies	849,981	-	169,996	168,214
Irrevocable commitments to extend credit:				
- More than one year	12,463,084	-	6,230,880	4,827,441
- Less than one year	21,025,525	-	4,205,105	3,831,842
Unutilised credit card lines	6,902,344	-	1,380,469	1,037,198
	43,277,374	-	13,113,193	10,954,490
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	60,747,086	959,148	3,021,126	1,273,381
- One year to five years	7,321,941	160,566	212,328	212,330
- Over five years	737,005	36,840	47,174	47,175
Interest/profit rate related contracts:				
- Less than one year	45,361,203	65,822	1,904	1,610
- One year to five years	81,492,156	608,386	302,405	296,506
- Over five years	4,291,746	83,166	137,653	137,653
Equity related contracts:				
- Less than one year	487,429	6,950	31,786	18,602
- One year to five years	668,393	57,044	76,160	38,566
Credit related contracts:				
- Less than one year	121,391	6,477	10,119	5,059
- Over five years	1,225,853	86,128	61,292	12,258
Commodity related contracts				
- Less than one year	554,082	1,142	56,550	34,439
	203,008,285	2,071,669	3,958,497	2,077,579
	246,285,659	2,071,669	17,071,690	13,032,069

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2022				
Commitments and Contingent Liabilities				
Direct credit substitutes	129,077	-	129,077	126,839
Transaction related contingent items	1,444,276	-	722,138	682,487
Short term self liquidating trade related contingencies	803,334	-	160,667	158,703
Irrevocable commitments to extend credit:				
- More than one year	12,942,713	-	6,470,698	5,023,094
- Less than one year	19,450,920	-	3,890,184	3,455,501
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	41,860,441	-	12,790,788	10,511,196
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	51,999,925	764,997	2,244,001	992,074
- One year to five years	5,987,312	125,628	132,604	132,606
- Over five years	396,495	21,253	-	-
Interest/profit rate related contracts:				
- Less than one year	34,692,744	44,604	3,130	626
- One year to five years	52,835,368	532,595	169,780	163,173
- Over five years	4,208,323	138,988	290,348	290,348
Equity related contracts:				
- Less than one year	245,878	2,212	16,769	8,696
- One year to five years	102,699	11,904	20,121	10,060
- Over five years	270,542	90,686	117,740	58,870
Credit related contracts:				
- Over five years	938,327	39,156	46,916	9,384
Commodity related contracts				
- Less than one year	438,428	1,757	45,600	28,063
- One year to five years	493,416	2,591	61,800	38,116
	152,609,457	1,776,371	3,148,809	1,732,016
	194,469,898	1,776,371	15,939,597	12,243,212

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits for the Bank.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Assets and Liabilities Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the Bank's trading book is as follows:

Financial Year Ending 30 June 2023	VaR (RM mil)
Minimum	(5.4)
Maximum	(13.3)
Average	(8.3)

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the Group ALCO.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

(1) Scenario analysis, which is a combination of expected movements on risk factors.

(2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, interest rates movements (for MYR, USD and other major currencies), ratings migration and Foreign Exchange spot and volatilities.

In managing interest rate risk in the banking book, the Bank measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

4. RISK MANAGEMENT (CONTINUED)

(C) Market Conduct Risk

Market Conduct risk is the risk that arises from either an individual or group of individual dealers of the Bank, who through non-compliant behaviour and/or behaviour that lack integrity or honesty, subjects the Bank to adverse consequences in terms of monetary losses, reputational damage and regulatory fines.

Independent market conduct risk monitoring and surveillance is carried out to detect attempts on market misconduct by Global Markets. Management oversight on market conduct is effected through the Risk and Compliance Governance Committee ("RCGC"). A robust and comprehensive market conduct surveillance policy has been established by the Bank to ensure all activities in Global Markets are in conformity with market best practices and compliance requirements, which is reviewed and concurred by the RCGC, endorsed by the BRMC and approved by the Board.

(D) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet financial obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirements, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.

The Bank has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there are adequate liquidity contingency fund to meet any shortfalls during liquidity crisis scenarios.

(E) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.

Management oversight on Operational Risk Management ("ORM") matters are effected through the RCGC whilst Board oversight is effected through the BRMC.

The Bank's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.

The Bank adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls. The ultimate aim is to enhance economic performance, achievement of corporate goals and the aspirations of stakeholders.

4. RISK MANAGEMENT (CONTINUED)

(E) Operational risk (continued)

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

(i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.

(ii) Key Risk Indicators ("KRI") is a set of measures to allow the Bank to monitor and facilitate early detection of operational risks.

(iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

The operational risk mitigation strategies that are implemented include:

(i) Policies and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.

(ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.

(iii) System of controls, established to provide reasonable assurance of effective and efficient operation.

(iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.

(v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsource service providers and continuous tracking of existing outsource service providers' performance, code of conduct, compliance, and business viability.

(F) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

(i) Financial instruments designated as fair value through profit and loss

The Bank uses derivative hedge instruments, such as interest rate swaps to undertake economic hedges on part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

(ii) Fair value hedges

The Bank uses interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

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4. RISK MANAGEMENT (CONTINUED)

(F) Financial hedges to mitigate interest rate risks (continued)

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank. (continued)

(iii) Cash flow hedges

The Bank uses interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 10(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

5. EQUITY EXPOSURES IN BANKING BOOK

The Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Bank's banking book's equity investments are classified and measured in accordance with MFRS 9 and are categorised as financial investments at fair value through other comprehensive income. Refer to Note 2D to the financial statements for the accounting policies of the Bank.

Details of the Bank's financial investments at fair value through other comprehensive income are set out in Note 6 to the financial statements.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

	The Group		The Bank	
	Exposures subject to risk-weighting RM'000	Risk weights %	Exposures subject to risk-weighting RM'000	Risk weights %
30 June 2023				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	**97,650**	**150%**	**97,650**	**150%**
30 June 2022				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	83,386	150%	83,386	150%

There are no unrealised gains/(losses) for equity securities that have not been reflected in the statements of income of the Group and the Bank but have been recognised under other comprehensive income of the Group and the Bank for the financial year ended 30 June 2023.

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Bank evaluates the impact of IRRBB/RORRBB via the earnings and the underlying economic value perspectives.

The earnings perspective focuses on the short-term effect of IRRBB/RORRBB via reduction in earnings arising from changes in interest rate/rate of returns. Components affecting the earnings perspective include the timing of repricing, yield curve risk and option positions.

The economic value perspective focuses on the long-term impact of IRRBB/RORRBB. This perspective evaluates changes in the Bank's economic value by present valuing the Bank's future cash flows. The future cash flow projections are used to estimate economic exposures and provides a pro forma estimate of the future income generated by the Bank's current position. In general, measuring the present value of instruments will be able to provide an overview of the Bank's economic value of equity ("EVE") over a longer time period.

	Impact on positions 100 basis points parallel shift	
The Group	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
30 June 2023		
100 bps upward		
Ringgit Malaysia	**(59,634)**	**(153,979)**
100 bps downward		
Ringgit Malaysia	**(109,525)**	**136,614**
30 June 2022		
100 bps upward		
Ringgit Malaysia	3,851	137,938
100 bps downward		
Ringgit Malaysia	(225,326)	(141,638)

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6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB") (CONTINUED)

The Bank	Impact on positions 100 basis points parallel shift Increase/(Decline) in Earnings RM'000	 Increase/(Decline) in Economic Value RM'000
30 June 2023		
100 bps upward		
Ringgit Malaysia	**(16,343)**	**123,966**
100 bps downward		
Ringgit Malaysia	**(120,239)**	**(150,476)**
30 June 2022		
100 bps upward		
Ringgit Malaysia	39,645	342,908
100 bps downward		
Ringgit Malaysia	(221,978)	(358,505)

7. SHARIAH GOVERNANCE DISCLOSURE

On 20 September 2019, Bank Negara Malaysia has issued the policy document on Shariah Governance ("SGPD") for Islamic financial institutions to supersede the Shariah Governance Framework. The policy document aims to further strengthen the effectiveness of Shariah governance implementation and reinforce a closer integration of Shariah considerations in the business and risk strategies of the Islamic financial institutions. This policy document takes effect from 1 April 2020, with the exception of Section 12.5 (which specifies that a member of the Shariah Committee shall not serve the same Islamic Financial Institution for more than nine years), which takes effect from 1 April 2023.

HLISB has enhanced its own Board Policy on Shariah Governance to ensure the structure and management of Shariah Governance matters in the Bank is of the highest standard and in line with SGPD and Islamic Financial Services Act 2013.

The Board Policy on Shariah Governance governs and guides HLISB on the on-going development and enhancement of its Shariah governance functions and infrastructure which includes interaction, effective communication and reporting. It forms the basic foundation upon which Shariah governance policies are to be developed, Shariah governance structure is to be operated in, and Shariah governance initiatives are to be carried out.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighty-Second Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 30 October 2023 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2023.

2. To approve the payment of Director Fees of RM1,568,614 for the financial year ended 30 June 2023 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM250,000 from the 82nd AGM to the 83rd AGM of the Bank. **(Resolution 1)**

3. To re-elect the following Directors pursuant to the Bank's Constitution:

   (a) YBhg Tan Sri Quek Leng Chan **(Resolution 2)**

   (b) YBhg Datuk Manharlal A/L Ratilal **(Resolution 3)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   - **Authority to Directors to Allot Shares**
   - **Waiver of Pre-Emptive Rights over New Ordinary Shares ("Shares") or Other Convertible Securities in the Bank under Section 85(1) of the Companies Act 2016 ("Act") read together with Clause 50 of the Constitution of the Bank**

   "**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], the Bank's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new Shares in the Bank, grant rights to subscribe for Shares in the Bank, convert any security into Shares in the Bank, or allot Shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, to any persons who are not caught by Paragraph 6.04(c) of the MMLR, provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares (excluding treasury shares) of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional Shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank;

   AND THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of the Bank, the shareholders of the Bank do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Bank and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in the Bank." **(Resolution 5)**

6. **Ordinary Resolution**
   - **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") and Persons Connected with them**

   "**THAT** approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3 (A) and (B) of the Bank's Circular to Shareholders dated 29 September 2023 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders;

   AND THAT such approval shall continue to be in force until:

   (a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

   (b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

   (c) revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is the earlier;

   AND THAT the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 6)**

7. To consider any other business of which due notice shall have been given.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
29 September 2023

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2023 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Bank. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM1,568,614 are inclusive of Board Committee Fees of RM500,889 and Meeting Allowances of RM180,000.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM250,000.

2. Resolutions 2 and 3 on Re-election of Directors

The Board, on the recommendation of the Nomination Committee of the Bank ("NC"), supports the re-election of the retiring Directors. The NC has reviewed the results of the Board Annual Assessment conducted for the financial year ended 30 June 2023 and noted that YBhg Tan Sri Quek Leng Chan has effectively discharged his duties and responsibilities. The NC has also conducted assessment on the fitness and propriety of YBhg Tan Sri Quek Leng Chan and YBhg Datuk Manharlal A/L Ratilal including the review of their Fit and Proper Declaration and result of their background checks, and was satisfied that they met the Fit and Proper criteria as set out in the Fit and Proper Policy of the Bank. In addition, the NC has assessed the declaration made by YBhg Datuk Manharlal A/L Ratilal confirming that he fulfilled the Independent Director criteria as set out in the relevant regulatory requirements, and found it to be in order.

The retiring Directors had abstained from deliberations and decisions on their re-election at the NC and Board meetings, as applicable.

The details and profiles of the retiring Directors are set out in the Board of Directors' Profile section of the Bank's 2023 Annual Report.

3. Resolution 5 on Authority to Directors to Allot Shares and Waiver of Pre-emptive Rights

The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Bank to allot ordinary shares ("Shares") of the Bank from time to time and expand the mandate to grant rights to subscribe for Shares in the Bank, convert any security into Shares in the Bank, or allot Shares under an agreement or option or offer, provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares (excluding treasury shares) of the Bank for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, Shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Bank.

As at the date of this Notice, no new Shares in the Bank were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 27 October 2022 and which will lapse at the conclusion of the 82nd AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise or for compliance with regulatory requirements which involve the issuance and allotment of new Shares, grant of rights to subscribe for Shares, conversion of any security into Shares, or allotment of Shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

Pursuant to Section 85(1) of the Companies Act 2016 ("Act") read together with Clause 50 of the Constitution of the Bank, shareholders have pre-emptive rights to be offered any new Shares in the Bank which rank equally to the existing issued Shares or other convertible securities.

Section 85(1) of the Act provides as follows:

"85. Pre-emptive rights to new shares

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 50 of the Constitution of the Bank provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled...

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution, if passed, will exclude your pre-emptive right over all new Shares, options over or grant of new Shares or any other convertible securities in the Bank and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority to Directors to Allot Shares.

4. Resolution 6 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution, if passed, will empower the Bank and its subsidiaries ("HLB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the Hong Leong Group than those generally available to the public and are not, in the Bank's opinion, detrimental to the minority shareholders of the Bank ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 29 September 2023 which is available on the Bank's corporate website (https://www.hlb.com.my/agm2023).

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Director**

  No individual is seeking election as a Director at the forthcoming Eighty-Second Annual General Meeting of the Bank.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

  Details of the general mandate to issue securities in the Bank pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of Eighty-Second Annual General Meeting.

Other Information

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023

Total number of issued shares	: 2,167,718,284
Adjusted total number of issued shares (after deducting treasury shares pursuant to Section 127 of the Companies Act 2016)	: 2,086,616,584
Class of shares	: Ordinary shares
Voting rights	: 1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2023

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	424	3.56	9,311	0.00
100 – 1,000	3,571	29.98	1,999,810	0.09
1,001 – 10,000	6,236	52.35	21,224,132	1.02
10,001 – 100,000	1,248	10.48	37,649,339	1.80
100,001 – less than 5% of issued shares	431	3.62	478,007,040	22.91
5% and above of issued shares	2	0.01	1,547,726,952	74.18
	11,912	100.00	2,086,616,584	100.00

* Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares

List of Thirty Largest Shareholders as at 30 August 2023

Name of Shareholders	No. of Shares	%
1. Hong Leong Financial Group Berhad	1,340,137,681	64.23
2. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	207,589,271	9.95
3. MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	37,470,641	1.80
4. Kumpulan Wang Persaraan (Diperbadankan)	27,477,129	1.32
5. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	20,000,000	0.96
6. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	19,473,000	0.93
7. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	17,766,188	0.85
8. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,254,300	0.68
9. Permodalan Nasional Berhad	14,177,400	0.68
10. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	9,632,300	0.46

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (CONTINUED)

List of Thirty Largest Shareholders as at 30 August 2023 (continued)

Name of Shareholders	No. of Shares	%
11. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,548,200	0.46
12. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	9,319,524	0.45
13. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,939,472	0.43
14. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	8,466,882	0.41
15. Pertubuhan Keselamatan Sosial	8,299,300	0.40
16. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	8,012,580	0.38
17. HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
18. Pertubuhan Keselamatan Sosial	6,300,000	0.30
19. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 19)	5,630,000	0.27
20. HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
21. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Government of Singapore (GIC C)	5,209,322	0.25
22. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AHAM AM)	4,805,500	0.23
23. Cartaban Nominees (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	4,670,196	0.22
24. Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	4,349,200	0.21
25. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	4,239,120	0.20
26. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	4,022,400	0.19
27. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,652,000	0.18
28. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,593,540	0.17
29. Cartaban Nominees (Asing) Sdn Bhd - BBH (LUX) SCA for Fidelity Funds Asean	3,533,900	0.17
30. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	2,999,000	0.14
	1,825,563,909	87.49

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2023 are as follows:

Name of Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Hong Leong Financial Group Berhad	1,340,137,681	64.23	3,057,504	0.15[a]
Hong Leong Company (Malaysia) Berhad	-	-	1,343,195,185	64.37[b]
HL Holdings Sdn Bhd	-	-	1,343,195,185	64.37[c]
Tan Sri Quek Leng Chan	-	-	1,346,027,209	64.51[d]
Hong Realty (Private) Limited	-	-	1,345,971,529	64.50[d]
Hong Leong Investment Holdings Pte Ltd	-	-	1,345,971,529	64.50[d]
Kwek Holdings Pte Ltd	-	-	1,345,971,529	64.50[d]
Kwek Leng Beng	-	-	1,345,971,529	64.50[d]
Davos Investment Holdings Private Limited	-	-	1,345,971,529	64.50[d]
Kwek Leng Kee	282,344	0.01	1,345,971,529	64.50[d]
GuoLine Overseas Limited	-	-	1,343,195,185	64.37[b]
Guoco Group Limited	-	-	1,343,195,185	64.37[b]
GuoLine Capital Assets Limited	-	-	1,345,971,529	64.50[e]
Employees Provident Fund Board	219, 659,021	10.53	-	-

Notes:
[a] Held through subsidiary
[b] Held through Hong Leong Financial Group Berhad ("HLFG")
[c] Held through Hong Leong Company (Malaysia) Berhad ("HLCM")
[d] Held through HLCM and company(ies) in which the substantial shareholder has interests
[e] Held through a subsidiary and HLFG

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2023

Subsequent to the financial year end, there is no change, as at 30 August 2023, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 163 and 164 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	No. of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hong Leong Industries Berhad	242,876,970	76.02%
	82,000*	0.03%

Note:
* No. of ordinary shares/ordinary shares to be received arising from vesting of share grant

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2023

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
1	No. 1, Light Street, Georgetown, 10200 Pulau Pinang	Freehold	Branch premises	20,594	89	7,403	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1, Medan Kampung Relau, Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	24	1,962	26/06/1997
3	No. 42, Jalan Pending, 93450 Kuching, Sarawak	Leasehold - (31/12/2779) - 757/859 years	Branch premises	4,425	41	1,177	27/12/1983
4	No. 133, 135 & 137, Jalan Kampong Nyabor, 96000 Sibu, Sarawak	Freehold	Branch premises	4,871	31	2,745	28/12/1992
5	Jungle land at Sungai Limut Rajang, Sarawak Occupation Ticket 612 of 1931	Leasehold - (31/12/2026) - 4/99 years	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail, 25000 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	1,600	32	1,028	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,350	27/12/1994
8	No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Freehold	Branch premises	3,750	37	469	30/12/1986
9	No. 120-122, Jalan Mersing, 86000 Kluang, Johor Darul Takzim	Leasehold	Branch premises	3,355	57	462	31/05/1990
10	No. 100, Jalan Gurney, 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	37	1,890	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Branch premises	4,174	32	3,328	25/06/1992
12	No. 63 & 65, Jalan SS 23/15, 47400 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	4,760	28	3,024	28/04/1997
13	No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan	Freehold	Branch premises	3,037	27	895	28/04/1997

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
14	No. 1, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan	Leasehold - (29/6/2086) - 64/99 years	Branch premises	2,625	36	1,022	26/06/1997
15	Lots 3594 & 3595, Jalan Baru Pak Sabah, 23000 Dungun, Terengganu Darul Iman	Leasehold - (8/4/2082) - 60/84 years	Branch premises	3,199	29	172	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - (12/2/2056) - 34/60 years	Branch premises	2,582	26	830	26/06/1997
17	Lot 34, Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Warehouse	96,219	27	2,506	26/01/1995
18	No. 1540, Jalan Sultan Badlishah, 05000 Alor Setar, Kedah Darul Aman	Leasehold - (19/7/2030) - 8/60 years	Vacant	10,619	48	12	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru, 08000 Sungai Petani, Kedah Darul Aman	Freehold	Branch premises	9,320	30	688	01/01/1994
20	No. 45, Jalan Burma, 10500 Pulau Pinang	Freehold	Vacant	14,277	45	1,658	24/11/1978
21	No. 55-57, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan	Freehold	Vacant	11,720	44	862	01/10/1984
22	No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan	Leasehold - (26/2/2078) - 56/79 years	Branch premises	4,694	28	216	24/11/1995
23	No. 75, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	26	567	15/06/1998
24	No. 80 & 82, Jalan Othman 1/14, 46000 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (15/6/2089) - 67/90 years	Branch premises	9,062	33	749	01/06/1994
25	No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Selangor Darul Ehsan	Leasehold - (8/3/2081) - 59/99 years	Branch premises	5,859	41	296	29/11/1985
26	Lot 111, Jalan Mega Mendung, Kompleks Bandar, Off Jalan Klang Lama, 58200 Kuala Lumpur	Leasehold - (11/10/2076) - 54/99 years	Vacant	4,978	43	347	31/07/1988
27	No. 161, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	2,454	27	2,660	14/02/1996

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
28	No. 8A-D, Jalan Station, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Vacant	12,854	30	284	22/10/1977
29	No. 109, Main Road, 83700 Yong Peng, Johor Darul Takzim	Freehold	Branch premises	2,740	35	197	01/09/1988
30	No. 1, Bentong Heights, 28700 Bentong, Pahang Darul Makmur	Freehold	Branch premises	5,432	55	27	30/06/1977
31	No. 36, Main Road Tanah Rata, 39000 Cameron Highland, Pahang Darul Makmur	Leasehold - (24/11/2039) - 17/99 years	Branch premises	1,728	83	66	30/08/1982
32	W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan	Freehold	Branch premises	4,545	24	1,008	18/12/1999
33	No. 2828-G-02 & 2828-1-02, Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	Freehold	Vacant	12,173	24	1,917	18/12/1999
34	Plot No. 20, Jalan Bidor Raya, 35500 Bidor, Perak Darul Ridzuan	Freehold	Branch premises	3,243	24	433	23/11/1999
35	No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan	Leasehold - (21/11/2094) - 72/99 years	Branch premises	7,870	23	1,286	23/11/1999
36	Lots 39 & 40, Kompleks Munshi Abdullah, 75100 Melaka	Leasehold - (24/2/2084) - 62/99 years	Branch premises	5,988	24	997	31/05/1991
37	No. 1 & 2 Jalan Raya, 09800 Serdang, Kedah Darul Aman	Freehold	Branch premises	5,840	22	332	20/09/2000
38	No. 133 & 135, Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan	Freehold	Branch premises	4,700	22	307	13/12/2000
39	No. 65-67, Jalan Tun HS Lee, 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	27	4,617	14/10/1996
40	No. 64, Jalan Tun Mustapha, 87007 Labuan	Leasehold - (28/12/2881) - 859/999 years	Branch premises	1,370	32	353	30/05/1991
41	No. 159, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	18	2,511	25/11/2005
42	No. 163, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	18	2,588	25/10/2005

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
43	No. 114 & 116, Jalan Cerdas, Taman Connaught, 56000 Kuala Lumpur	Leasehold - (16/10/2078) - 56/99 years	Branch premises	12,200	17	3,235	07/06/2006
44	Lot A08-A09, Jalan SS 6/5A Dataran Glomac, Pusat Bandar Kelana Jaya, 47301 Petaling Jaya	Freehold	Branch premises	9,800	17	2,463	06/07/2006
45	No. 2, Jalan Puteri 2/4, Bandar Puteri, Puchong, 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	16	4,854	28/06/2007
46	Tower A, PJ City Development, 46100 Petaling Jaya, Selangor	Leasehold - (14/08/2094) - 72/99 years	Branch premises	194,489	15	66,671	21/07/2008
47	OUG, No. 2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - (year 2088) - 66/99 years	Branch premises	17,300	13	4,304	01/04/2011
48	KEP, Lot No. 77C & 77D, Lot No. 58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - (7/01/2101) - 79/99 years	Branch premises	30,613	13	7,636	01/05/2011
49	No. 122, Kapit By-Pass, 96807 Kapit, Sarawak	Leasehold - (29/4/2045) - 23/60 years	Branch premises	1,200	30	162	30/04/1985
50	No. 12A, Block B, Level 2, Fraser's Hill, Condominium, 49000 Bukit Fraser's, Pahang Darul Makmur	Leasehold - (23/05/2082) - 60/99 years	1 unit apartment (Vacant)	1,792	36	82	24/05/1983
51	No. 9, Jalan Cheng Lock, 50000 Kuala Lumpur, Wilayah Persekutuan	Freehold	Vacant	2,199	50	247	18/09/1972
52	No. 3, Jalan Bandar Satu, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch premises	4,687	28	1,582	03/04/1997
53	No. 32 & 34, Jalan 21/19, Sea Park, 46300 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	3,080	60	2,062	19/08/1997
54	No. 26 & 27, Jalan Kenari 1, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch premises	3,600	27	1,264	22/01/1999
55	No. 2, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (23/11/2100) - 78/99 years	Branch premises	12,892	19	3,076	12/02/2005

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
56	No. J09-6 and J02-06, Paradise Lagoon Holiday, Apartment, Batu 3 1/2 Jalan Pantai, 70100 Port Dickson, Negeri Sembilan Darul Khusus	Leasehold - (7/6/2087) - 65/99 years	2 units apartment	2,088	27	153	21/04/1994
57	No. S-3, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus	Leasehold - (30/01/2078) - 56/99 years	Vacant	1,680	39	206	29/06/1981
58	No. 105 & 107, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka	Leasehold - (20/3/2094) - 72/99 years	Vacant	3,132	27	411	17/04/1998
59	No. 67 & 69, Jalan Merdeka, 75000 Taman Merdeka Raya, Melaka	Leasehold - (7/7/2093) - 71/99 years	Branch premises	3,080	28	579	15/08/1999
60	No. 35, 37 & 39, Jalan Johor Satu, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim	Freehold	Branch premises	13,965	20	1,763	12/02/2003
61	No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim	Freehold	Branch premises	2,624	26	862	05/04/1999
62	No. B-278 & B-280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	3,208	22	1,250	04/08/1999
63	No. 31, 33, 35 & 37, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Seberang Perai Tengah, Penang	Freehold	Branch premises	15,844	20	1,076	10/07/2003
64	Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak	Leasehold - (20/06/2050) - 28/60 years	Branch premises	1,740	27	108	21/06/1990
65	Lot No. 2013, Jalan Pisang Barat, 93150 Kuching, Sarawak	Leasehold - (31/12/2038) - 16/99 years	Storage	1,390	30	-	23/09/1992
66	No: 3/G14, 3/G15 & 3/G16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah	Leasehold - (31/12/2086) - 64/99 years	Branch premises	4,141	28	1,407	04/02/1997
67	No. 177, Limbok Hill, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey detached house	6,730	50	9	16/08/1972

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
68	No. 11, Jalan Emas 2, Taman Emas Cheras, 43200 Cheras, Selangor	Freehold	Vacant	5,804	30	-	25/05/1993
69	No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur	Freehold	Branch premises	9,600	26	17,384	01/06/2015
70	No. 300, Jalan Jelutong, 11600 Pulau Pinang	Freehold	Branch premises	16,652	21	12,535	23/06/2015
71	Lot 1, Block 35, Fajar Commercial Complex, Jalan Lembaga, 91000 Tawau, Sabah	Leasehold - (31/12/2895) - 873/998 years	Branch premises	13,880	51	4,569	17/08/2015
72	Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	8	536,098	03/07/2015
73	01-01, 01-02, 01-03, 01-05, Blok D, Komersil Southkey Mozek, Persiaran Southkey 1, Kota Southkey, 80150, Johor Bahru	Leasehold - (21/2/2100) - 78/99 years	Branch	18,317	5	13,944	16/11/2018
74	No. 8, Jalan 3/5-C, Taman Setapak, Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur	Leasehold - (28/8/2086) - 64/99 years	Branch	6,908	5	1,976	13/09/2018
75	No. Hakmilik 1205, No. Lot 4057 Muikim 06 Daerah Seberang Perai Tengah, Pulau Pinang	Freehold	Vacant	65,340	2	10,342	25/02/2021

Other Information

BRANCHES AS AT 30 JUNE 2023

FEDERAL TERRITORY KUALA LUMPUR

1 Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur

2 No. 34, 36 & 38, Jalan Petaling, 50000 Kuala Lumpur

3 No. 2-0, Lorong 2/137C, Off Jalan Klang Lama, 58200 Kuala Lumpur

4 No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur

5 No. 77C & D, Lot 58529, Jalan Kepong, 52100 Kuala Lumpur

6 No. 31 & 33, Jalan 1/116 B, Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur

7 No. 37, Jalan Telawi 3, Bangsar Baru, 59100 Kuala Lumpur

8 No. 8 & 10, Jalan 3/50C, Taman Setapak Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur

9 No. 114 & 116, Jalan Cerdas, Taman Connaught, Cheras, 56000 Kuala Lumpur

10 No. 468-B2(A), Blok B, Ground Floor, Rivercity 3rd Mile Jalan Ipoh, 51200 Kuala Lumpur

11 180-0-7 & 180-0-8, Wisma Mahkota, Taman Maluri, Cheras, 55100 Kuala Lumpur

12 No. 50, Jalan Merlimau, Off Jalan Kenanga, 55200 Kuala Lumpur

13 No. 2, Jalan Rampai Niaga 1, Rampai Business Park, Taman Sri Rampai, 53300 Kuala Lumpur

14 No. 44 & 46, Block A, Plaza Sinar, Jalan 8/38D, Taman Sri Sinar, Segambut, 51200 Kuala Lumpur

15 No. 71 & 73, Jalan Radin Tengah, Zone J 4, Bandar Baru Seri Petaling, 57000 Kuala Lumpur

16 No. 7 & 9, Jalan 2/109F, Plaza Danau 2, Taman Danau Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur

17 A-G-10 & A-01-11, Jalan 26/70A, Desa Sri Hartamas, 50480 Kuala Lumpur

18 150, Jalan Tun Sambanthan, 50470 Kuala Lumpur

19 No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur

20 166 & 168, Jalan 2/3A Off KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur

21 No. 15, 16 & 17, Jalan Midah Satu, Taman Midah, Cheras, 56000 Kuala Lumpur

22 Ground Floor(Lot G3), Menara Raja Laut, No. 288, Jalan Raja Laut, 50350 Kuala Lumpur

23 Ground & Mezzanine Floors, No. 2-21A & 2-21A1, Jalan Desa 1/1, Desa Aman Puri, 52100 Kepong, Kuala Lumpur

24 Unit E-1-2 Level 1 Block E, Pusat Komersial Southgate, No 2 Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur

25 Ground & 1st Floor, Unit 25-G & 25-1, Signature Office, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur

26 Tingkat Bawah, No. 6 & 8, Blok 5, Jalil Link, Jalan Jalil Jaya 6, Bukit Jalil, 57000 Kuala Lumpur

27 No 63, Jalan Medan Putra 1, Medan Putra Business Centre, Menjalara, 52200 Kuala Lumpur

28 Level 1 Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

29 No. 1-GM, Jalan Perdana 4/6, Pandan Perdana, 55300 Kuala Lumpur

30 No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Kuala Lumpur

31 No. 23GM & 25GM, Jalan Pandan Indah 4/8, 55100 Kuala Lumpur

SELANGOR DARUL EHSAN

32 No. 80 & 82, Jalan Othman (1/14), 46000 Petaling Jaya, Selangor Darul Ehsan

33 No. 3, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan

34 No. 59A, Jalan Welman, 48000 Rawang, Selangor Darul Ehsan

35 Wisma Meru, No. 1, Lintang Pekan Baru, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan

36 No. 119 & 121, Jalan Sultan Abdul Samad, 42700 Banting, Selangor Darul Ehsan

37 No. 64, Jalan Stesen, 45000 Kuala Selangor, Selangor Darul Ehsan

38 W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan

39 No. 91, Lorong Memanda 1, Ampang Point, 68000 Ampang, Selangor Darul Ehsan

40 No. 2, Jalan Kinrara, Taman Kinrara, Jalan Puchong, 47100 Selangor Darul Ehsan

41 No. 24, Medan Taming 2,
Taman Taming Jaya,
43300 Balakong,
Selangor Darul Ehsan

42 No. 12 & 14, Jalan PJS 11/28A,
Metro Bandar Sunway, Bandar Sunway,
46150 Petaling Jaya,
Selangor Darul Ehsan

43 No. 1 & 3, Jalan Sri Sarawak 17,
Taman Sri Andalas,
41200 Klang, Selangor Darul Ehsan

44 No. 11 & 13, Jalan M/J 1,
Taman Majlis Jaya, Jalan Sungai
Chua, 43000 Kajang,
Selangor Darul Ehsan

45 No. 174 & 174A, Jalan Besar,
42800 Tanjung Sepat, Kuala Langat,
Selangor Darul Ehsan

46 No. 18 & 20, Jalan 20/16A,
Taman Paramount,
46300 Petaling Jaya,
Selangor Darul Ehsan

47 No. 15 & 16 Jalan Menteri Besar 2,
New Sekinchan Business Centre,
45400 Sekinchan,
Selangor Darul Ehsan

48 No. 36, Jalan Dato Shahbudin 30,
Taman Sentosa,
41200 Klang, Selangor Darul Ehsan

49 No.39 & 41, Jalan SJ 17,
Taman Selayang Jaya,
68100 Batu Caves,
Selangor Darul Ehsan

50 No. 169, Jalan Teluk Pulai,
41100 Klang, Selangor Darul Ehsan

51 No. 1G-3G, Jalan Wawasan 2/10,
Bandar Baru Ampang,
68000 Ampang,
Selangor Darul Ehsan

52 No 25-29G, Jalan SS 21/60,
47400 Damansara Utama,
Petaling Jaya, Selangor Darul Ehsan

53 No. G-16, 1-16 & 2-16 & G-17, 1-17 & 2-17,
Jalan Prima SG1,
Taman Prima Sri Gombak,
68100 Batu Caves,
Selangor Darul Ehsan

54 No. 68, Lorong Batu Nilam 4A,
Bandar Bukit Tinggi,
41200 Klang, Selangor Darul Ehsan

55 No. 1 & 3, Jalan Seri Taming 1F,
Taman Seri Taming, Batu 9,
43200 Cheras, Selangor Darul Ehsan

56 No. 7 & 9,
Jalan Bunga Tanjong 6A,
Taman Putra,
68000 Ampang, Selangor Darul Ehsan

57 No. 22 & 24, Jalan 14/14,
46100 Petaling Jaya,
Selangor Darul Ehsan

58 Wisma Keringat 2, No. 17, Lorong
Batu Caves 2, 68100 Batu Caves,
Selangor Darul Ehsan

59 Ground Floor, Tower A PJ City
Development 15A,
Jalan 219, Section 51A,
46100 Petaling Jaya,
Selangor Darul Ehsan

60 No. E-01-07 & E-01-08, Jalan Puchong
Prima 5/3, Puchong Prima,
47100 Puchong, Selangor Darul Ehsan

61 No. 30, Jalan Public,
Sungai Buloh New Village,
47000 Sungai Buloh,
Selangor Darul Ehsan

62 No. 64, Jalan BRP 1/2,
Bukit Rahman Putra,
47000 Sungai Buloh,
Selangor Darul Ehsan

63 No. 5 & 7 Jalan Besar Susur 1,
43300 Seri Kembangan,
Selangor Darul Ehsan

64 No. 7 & 9, Jalan Pasar Baru 2,
Seksyen 3, Bandar Semenyih,
43500 Semenyih,
Selangor Darul Ehsan

65 No. 2, Jalan Puteri 2/4,
Bandar Puteri, 47100 Puchong,
Selangor Darul Ehsan

66 No. 1, Jalan Temenggung 21/9,
Bandar Mahkota Cheras,
43200 Cheras, Selangor Darul Ehsan

67 No. 2G, 2-1 & 2A-G, Jalan Cheras
Maju, Pusat Perniagaan Cheras Maju,
43200 Balakong,
Selangor Darul Ehsan

68 5, Jalan SL 1/4, Bandar Sungai Long,
43000 Kajang, Selangor Darul Ehsan

69 Ground Floor, 36, Jalan Sulaiman,
43000 Kajang, Selangor Darul Ehsan

70 No. 9 & 11, Jalan 52/2,
PJ New Town Centre,
46200 Petaling Jaya,
Selangor Darul Ehsan

71 90, Persiaran Raja Muda Musa,
42000 Pelabuhan Klang,
Selangor Darul Ehsan

72 3, Jalan Bandar Satu,
Pusat Bandar Puchong,
47100 Puchong, Selangor Darul Ehsan

73 No. 26 & 27, Jalan Kenari 1,
Bandar Puchong Jaya,
47100 Puchong, Selangor Darul Ehsan

74 No. 28 & 30, Jalan SS 2/67,
47300 Petaling Jaya,
Selangor Darul Ehsan

75 Lot 43 & 45, Jalan USJ 10/1G,
47620 Subang Jaya,
Selangor Darul Ehsan

76 51 & 53, Jalan TSB 10A,
Taman Industri Sungai Buloh,
47000 Sungai Buloh,
Selangor Darul Ehsan

77 No. 2, Jalan PJU 5/8,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan

78 No. 5 & 7, Jalan Cempaka 1,
Taman Cempaka,
48200 Serendah, Hulu Selangor,
Selangor Darul Ehsan

79 26-32, Jalan Kapar,
41400 Klang, Selangor Darul Ehsan

80 No. 19, Jalan Setia Prima R U 13/R,
Setia Alam, Seksyen U13,
40170 Shah Alam,
Selangor Darul Ehsan

Other Information

81 No. 3-G, Jalan Anggerik Vanilla
N31/N, Kota Kemuning,
40460 Shah Alam,
Selangor Darul Ehsan

82 No. 1 & 3
Jalan PJU 1/43, Aman Suria,
47301 Petaling Jaya,
Selangor Darul Ehsan

83 Ground Floor, Lot G01,
Giant Hypermarket Putra Heights,
Persiaran Putra Perdana,
47560 Putra Heights,
Selangor Darul Ehsan

84 Ground Floor, No. 109 & 111,
Jalan Mahogani 5, Bandar Botanic,
41200 Klang, Selangor Darul Ehsan

85 No. 4G & 6G, Jalan Equine 1B,
Taman Equine Boulevard,
43300 Seri Kembangan,
Selangor Darul Ehsan

86 No. 8, Jalan UP 1/5,
Taman Ukay Perdana,
68000 Ampang,
Selangor Darul Ehsan

87 No. 21, Jalan BS 10/6,
Seksyen 10, Bukit Serdang,
43300 Seri Kembangan,
Selangor Darul Ehsan

88 No. 120, Jalan Puj 3/2,
Taman Puncak Jalil,
Bandar Putra Permai,
43300 Seri Kembangan,
Selangor Darul Ehsan

PAHANG DARUL MAKMUR

89 No. 59 & 60, Jalan Temerloh,
Locked Bag No. 9,
28409 Mentakab,
Pahang Darul Makmur

90 No. 25, Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur

91 No. 39-41, Jalan Tun Razak,
27600 Raub, Pahang Darul Makmur

92 No. F105 & F106, Jalan Kuantan,
28000 Temerloh,
Pahang Darul Makmur

93 No. 36, Main Road, Tanah Rata,
39000 Cameron Highlands,
Pahang Darul Makmur

94 No. 1, Bentong Heights,
28700 Bentong,
Pahang Darul Makmur

95 No. B 278 & B 280,
Jalan Beserah, 25300 Kuantan,
Pahang Darul Makmur

96 No. 113, Jalan Inderapura 1,
Bandar Inderapura,
27000 Jerantut, Pahang

TERENGGANU DARUL IMAN

97 Lot 3594 & 3595,
Jalan Baru Pak Sabah,
23000 Dungun,
Terengganu Darul Iman

98 **Hong Leong Islamic Bank Berhad**
No. 31, Jalan Sultan Ismail,
20200 Kuala Terengganu,
Terengganu Darul Iman

99 No. 1107 - R,S & T, Jalan Pejabat,
20200 Kuala Terengganu,
Terengganu Darul Iman

100 No. 5686 & 5694-B,
Jalan Kubang Kurus,
24000 Kemaman,
Terengganu Darul Iman

KELANTAN DARUL NAIM

101 **Hong Leong Islamic Bank Berhad**
Ground & Mezanine Floor,
No. 1121A & B, Jalan Padang Garong,
Seksyen 12,
15000 Kota Bahru,
Kelantan Darul Naim

102 PT 320 & 321, Seksyen 25,
Jalan Sultan Yahya Petra,
15200 Kota Bahru,
Kelantan Darul Naim

PERLIS INDERA KAYANGAN

103 No. 40 & 42, Jalan Bukit Lagi,
01000, Kangar,
Perlis Indera Kayangan

KEDAH DARUL AMAN

104 Ground Floor & 1st Floor,
No. 212, Jalan Gangsa,
Seberang Jalan Putra,
05150 Alor Setar,
Kedah Darul Aman

105 Ground & 1st Floor, No. 64 & 65,
Jalan Pengkalan, Taman Pekan Baru,
08000 Sungai Petani,
Kedah Darul Aman

106 No. 1 & 2, Jalan Raya,
09800 Serdang,
Kedah Darul Aman

107 No. 62 & 63, Jalan Bayu Satu,
09000 Kulim, Kedah Darul Aman

108 No. 167 & 168,
Susuran Sultan Abdul Hamid 11,
Kompleks Perniagaan Sultan Abdul
Hamid Fasa 2,
05050 Alor Setar,
Kedah Darul Aman

109 No. 9A & 9B, Jalan Kampung Baru,
08000 Sungai Petani,
Kedah Darul Aman

110 18K & 18L, Jalan Raya,
08300 Gurun, Kedah Darul Aman

111 Ground & First Floor,
255, Jalan Legenda 10,
Legenda Heights,
08000 Sg Petani,
Kedah Darul Aman

112 No. 93, Langkawi Mall,
Jalan Kelibang,
07000 Kuah, Langkawi,
Kedah Darul Aman

113 No 1520-2A, Pantai Halban,
Jalan Kepala Batas,
06000 Jitra, Kedah Darul Aman

PULAU PINANG

114 No. 1, Light Street, Georgetown, 10200 Pulau Pinang

115 No. 9 & 10, Jalan Todak 2, Pusat Bandar, Seberang Jaya, 13700 Prai, Pulau Pinang

116 Unit G-02, Mezzanine 2-02B, No. 405, Jalan Burmah, 10350 Pulau Pinang

117 No. 15-G-1 (Bayan Point), Medan Kampung Relau, 11900 Pulau Pinang

118 1780 & 1781, Jalan Nibong Tebal, Taman Panchor Indah, 14300 Pulau Pinang

119 98-G-15, Prima Tanjung, Jalan Fettes, Tanjung Tokong, 10470 Pulau Pinang

120 No. 1, Lebuh Kurau 1, Taman Chai Leng, 13700 Prai, Pulau Pinang

121 No. 19, Jalan Bertam, 13200 Kepala Batas, Seberang Prai, Pulau Pinang

122 No. 723-G-G, 723-H-G & 723-I-G, Jalan Sungai Dua, 11700 Pulau Pinang

123 No. 6963 & 6964, Jalan Ong Yi How, Kawasan Perusahan Raja Uda, 13400 Butterworth, Pulau Pinang.

124 Lot G-17 & G-18, Jalan Dato Keramat, Penang Times Square, 10150 Georgetown, Pulau Pinang

125 No. 1823-G1, Jalan Perusahaan Auto-City, North-South Highway Juru Interchange, 13600 Prai, Pulau Pinang

126 No. 300 Jalan Jelutong, 11600 Pulau Pinang

127 Ground Floor, No. 16A & 16B, Lebuhraya Thean Teik, Bandar Baru Ayer Itam, 11500 Pulau Pinang

128 No. 31, 33, 35, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Pulau Pinang

129 No. 3350 & 3351, Jalan Rozhan, Taman Industri Alma Jaya, 14000 Bukit Mertajam, Pulau Pinang

130 No. 1, Jalan Besar, Taman Tempua, 14000 Simpang Ampat, Pulau Pinang

131 No. 306-F, Jalan Dato Ismail Hashim, Sungai Ara, 11900 Bayan Lepas, Pulau Pinang

132 Ground & First Floor, No. 1, Medan Limau Emas, Pusat Perniagaan Limau Emas, Off Jalan Song Ban Keng, 14000 Bukit Mertajam, Pulau Pinang

PERAK DARUL RIDZUAN

133 Lot-A-G-2 (Ground Floor), No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan

134 N-20, Jalan Bidor Raya, Off Jalan Persatuan, 35500 Bidor, Perak Darul Ridzuan

135 No. 41, Jalan Taiping, 34200 Parit Buntar, Perak Darul Ridzuan

136 No. 16 & 17, Taman Sitiawan Maju, Jalan Lumut, 32000 Sitiawan, Perak Darul Ridzuan

137 Ground & First Floors, No. 116 & 117, Jalan Besar, 31450 Menglembu, Ipoh, Perak Darul Ridzuan

138 No. 28, Medan Silibin, 30100 Ipoh, Perak Darul Ridzuan

139 No. 53, 55 & 57, Jalan Stesyen, 34000 Taiping, Perak Darul Ridzuan

140 No. 133 & 135 Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan

141 No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan

142 No. 11 & 12, Kompleks Menara Condong, Jalan Bandar, 36000 Teluk Intan, Perak Darul Ridzuan

143 No. 579 & 579A, Jalan Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan

144 No. 91 & 93, Jalan Dato Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan

145 86 & 88, Jalan Besar, 32400 Ayer Tawar, Perak

146 PT 1167 & 1168, Jalan Chui Chak, 36700 Langkap, Perak Darul Ridzuan

147 Ground & First Floor, No.254 & 254A, Jalan Raja Dr. Nazrin Shah, Gunung Rapat, 31350 Ipoh, Perak Darul Ridzuan

148 No. 25 & 27, Jalan Bunga Anggerik, Taman Bunga Raya, 35900 Tanjong Malim, Perak Darul Ridzuan

149 Ground & First Floor, No. 362, Medan Bercham, Jalan Bercham, 31400 Ipoh, Perak Darul Ridzuan

NEGERI SEMBILAN DARUL KHUSUS

150 No. 100, Jalan Gurney, 72100 Bahau, Negeri Sembilan Darul Khusus

151 No. 69, 70 & 71, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus

152 No. 112, Jalan Yam Tuan Raden, 72000 Kuala Pilah, Negeri Sembilan Darul Khusus

153 Lot Pt 5729 & 5730, Jalan TS 2/1D, Taman Semarak, 78100 Nilai, Negeri Sembilan Darul Khusus

154 Lot 3120 & 3121, Jalan Besar, Lukut, 71010 Port Dickson, Negeri Sembilan Darul Khusus

Other Information

155 145-G, 145-1 & 146-G, Blok M,
Taipan Senawang,
Senawang Commercial Park,
70450 Negeri Sembilan Darul Khusus

156 Ground, 1st & 2nd Floors, No. 7 & 8,
Jalan S2 B15, Biz Avenue, Seremban 2,
70300 Seremban,
Negeri Sembilan Darul Khusus

MELAKA

157 No. 345, Jalan Ong Kim Wee,
75300 Melaka

158 No. 150 & 152,
Kompleks Munshi Abdullah,
Jalan Munshi Abdullah,
75100 Melaka

159 Lot BB-371A & B,
Taman Melaka Baru,
Batu Berendam,
75350 Melaka

160 Lot 215 & 130, Jalan Besar,
78300 Masjid Tanah, Melaka

161 No. 1, 1-1 & 3, Jalan Malim Jaya 2/7A,
Taman Malim Permai,
75250 Melaka

162 No. 67 & 69,
Jalan Merdeka,
Taman Melaka Raya,
75000 Melaka

163 No. 76 & 76-1,
Jalan Inang 4 (Cheng),
Taman Paya Rumput Utama,
76300 Paya Rumput, Melaka

JOHOR DARUL TAKZIM

164 No. 12 - 16, Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor Darul Takzim

165 No. 70, Jalan Segamat,
85300 Labis, Johor Darul Takzim

166 Lot No. 24 & 25,
Jalan Ahmad Ujan, Taman Kota Besar,
81900 Kota Tinggi, Johor Darul Takzim

167 No. 120 - 122, Jalan Mersing,
86000 Kluang, Johor Darul Takzim

168 No. 173 & 175,
Jalan Sri Pelangi, Taman Pelangi,
80400 Johor Bahru, Johor Darul Takzim

169 No. 6 & 8, Jalan Nakhoda 12,
Taman Ungku Tun Aminah,
81300 Skudai, Johor Darul Takzim

170 No. 6 & 7, Jalan Anggerik 1,
Taman Kulai Utama,
81000 Kulai, Johor Darul Takzim

171 No. LC 531, Jalan Payamas,
84900 Tangkak, Johor Darul Takzim

172 No. 109, Main Road,
83700 Yong Peng, Johor Darul Takzim

173 No. 39 & 41, Jalan Kebudayaan 1,
Taman Universiti,
81300 Skudai, Johor Darul Takzim

174 Ground & Mezzanine Floors,
Penggaram Complex, No. 1,
Jalan Abdul Rahman,
Off Jalan Rahmat,
83000 Batu Pahat, Johor Darul Takzim

175 No. 80, Jalan Dedap 13,
Taman Johor Jaya,
81100 Johor Bahru, Johor Darul Takzim

176 No. 2, Jalan Jati Satu,
Taman Nusa Bestari Jaya,
81300 Skudai, Johor Darul Takzim

177 No. 5, Jalan Camar 1/3,
Taman Perling,
81200 Johor Bahru,
Johor Darul Takzim

178 No. 35, 37 & 39, Jalan Johar 1,
Taman Desa Cemerlang,
81800 Ulu Tiram, Johor Darul Takzim

179 No. 8-10, Jalan Nusaria 11/7,
Taman Nusantara,
81550 Gelang Patah,
Johor Darul Takzim

180 105-106, Jalan Besar,
81750 Masai, Johor Darul Takzim

181 30 & 31, Jalan Mawar 1, Taman Mawar,
81700 Pasir Gudang,
Johor Darul Takzim

182 1, 1A, 1B & 1C, Jalan Belimbing,
81400 Senai, Johor Darul Takzim

183 01-01, 01-02, 01-03, 01-05,
Block D Komersil Southkey Mozek,
Persiaran Southkey 1, Kota Southkey,
80150 Johor Bahru,
Johor Darul Takzim

184 No. 21, Jalan Permas 10/1,
Bandar Baru Permas Jaya,
81750 Masai, Johor Darul Takzim

185 No. 30 & 31, Jalan Delima,
Pusat Perdagangan Pontian,
82000 Pontian, Johor Darul Takzim

186 No. 43A & 45, Jalan Genuang,
Kampung Abdullah,
85000 Segamat, Johor Darul Takzim

187 No. 29 & 31,
Jalan Molek 2/4, Taman Molek,
81100 Johor Bahru,
Johor Darul Takzim

188 No. 25 & 25A,
Jalan Kenanga 29/1, Indahpura,
81000 Johor Bahru,
Johor Darul Takzim

189 Ground & 1st Floor, No. 3,
Pusat Dagangan Bakri, Jalan Bakri,
84000 Muar, Johor Darul Takzim

190 Ground Floor, No. 121 & 123,
Jalan Austin Heights 3,
Taman Mount Austin,
81100 Johor Bahru,
Johor Darul Takzim

191 Ground Floor,
No. 1, Jalan Setia Tropika 1/15,
Taman Setia Tropika,
81200 Johor Bahru,
Johor Darul Takzim

192 No. 345A, Jalan Ismail,
86800 Mersing, Johor Darul Takzim

SABAH

193 Ground & 1st Floor,
Lot No. 1, Block 35,
Fajar Commercial Complex,
Jalan Lembaga,
91013 Tawau, Sabah

194 No. 5 & 6 (Ground Floor),
Lorong Lintas Plaza 1, Lintas Plaza,
88300 Kota Kinabalu, Sabah

195 Lot 1, 2 & 3, Block 18, Mile 4,
North Road, Bandar Indah,
90000 Sandakan, Sabah

196 Ground Floor,
Wisma Sandaraya, Humprey Street,
90000 Sandakan, Sabah

197 No. 19, Jalan Haji Saman,
P.O. Box 11989,
88821 Kota Kinabalu, Sabah

198 No. 8, Jalan Pantai,
Locked Bag No. 124,
88999 Kota Kinabalu, Sabah

199 Lot 4, 5 & 6, Block C,
Lorong KK Taipan 2,
Inanam New Township,
88450 Kota Kinabalu, Sabah

200 Lot 3-0-14 to 3-0-16, Block 3,
Lorong Api-Api 2, Api-Api Centre,
88000 Kota Kinabalu, Sabah

201 MDLD 4711 & 4712, Lot 3 & 4,
Jalan Kastam Lama,
91100 Lahad Datu, Sabah

202 No. 38, Block E,
Alamesra Plaza Permai,
88400 Kota Kinabalu, Sabah

SARAWAK

203 No. 35, Jalan Khoo Hun Yeang,
93000 Kuching, Sarawak

204 No. 42, Jalan Pending,
93450 Kuching, Sarawak

205 Lot 3073 & 3074,
Jalan Abang Galau,
97000 Bintulu, Sarawak

206 No. 133, 135 & 137,
Jalan Kampung Nyabor,
96000 Sibu, Sarawak

207 No. 8-10, Lorong Maju, PO Box 279,
96508 Bintangor, Sarawak

208 Lot 13 & 14, Olive Garden,
7th Mile Bazaar, Jalan Pensrissen,
93250 Kuching, Sarawak

209 No. 175, Serian Bazaar,
94700 Serian, Sarawak

210 Lot 124, Saratok Baazar, P.O Box 71,
95407 Saratok, Sarawak

211 No. 10, Lot 734,
Jalan Lee Kai Teng,
95700 Betong, Sarawak

212 No. 18, Chew Geok Lin Street,
P.O Box 1461,
96000 Sibu, Sarawak

213 No. 722, Jalan Masjid, P.O Box 19,
96400 Mukah, Sarawak

214 Lot 122, Jalan Yong Moo Chai,
P.O. Box 15,
96807 Kapit, Sarawak

215 Lot 11600-11602, Block 16,
No. 127-129, R.H.Plaza,
Jalan Lapangan Terbang,
93550 Kuching, Sarawak

216 Lot 122-124,
Jalan Song Thian Cheok, 93100
Kuching, Sarawak

217 Lot 1078-1079,
Buangsiol Road, P.O. Box 69,
98707 Limbang, Sarawak

218 Ground & First Floor,
Lot 715, Merbau Road,
98008 Miri, Sarawak

219 No. 22-23,
Suria Permata Commercial Centre,
Jalan Lanang,
96000 Sibu, Sarawak

220 Lot 2499 & 2500,
Ground & 1st Floor,
Boulevard Commercial Centre,
Jalan Miri-Pujut, KM 3,
98000 Miri, Sarawak

221 No. 18C & 20,
Lorong Tun Razak 1,
Jalan Masjid Lama,
96100 Sarikei Sarawak

222 10, 12, 14, 16 & 18,
Mission Road, P.O. Box 656,
96007 Sibu, Sarawak

223 345-347, Ground Floor & 1st Floor,
Central Park Commercial Centre,
Jalan Tun Ahmad Zaidi Adruce,
9 3200 Kuching, Sarawak

224 Lot 171, Jalan Council,
95000 Bandar Sri Aman, Sarawak

FEDERAL TERRITORY PUTRAJAYA

225 **Hong Leong Islamic Bank Berhad**
Lot T00 - U01, No. 5,
Jalan P16, Precinct 16,
62150 Putrajaya,
Wilayah Persekutuan

FEDERAL TERRITORY LABUAN

226 No. 64, Jalan Tun Mustapha,
87007 Labuan

BUREAU DE CHANGE

1 Bureau De Change Bukit Bintang,
No. 53 & 55, Jalan Sultan Ismail,
50250 Kuala Lumpur

2 Bureau De Change Kuantan,
No. 25, Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur

Other Information

Overseas Branches and Subsidiaries

SINGAPORE

1 **Main Office**
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

Banking Hall
7 Wallich Street
#B1-25 & B1-26
Tanjong Pagar Center
Singapore 078884

Tel : (65)-63498338
Fax : (65)-65339340

HONG KONG

1 50/F
The Center
99 Queen's Road Central
Central, Hong Kong

Tel : 852-22838838
Fax : 852-22853138

VIETNAM

1 **Hong Leong Bank Vietnam Limited**
Ground Floor, Centec Tower
72-74 Nguyen Thi Minh Khai Street
District 3, Ho Chi Minh City

Tel : 848-6299 8100
Fax : 852-6299 8101

2 **Hong Leong Bank Vietnam Limited**
Pacific Place, GF, Unit 08-09,
83B Ly Thuong Kiet Str,
Tran Hung Dao Ward,
Hoan Kiem District
Hanoi, Vietnam

Tel : 848-62998100
Fax : 848-62998101

CAMBODIA

1 **Hong Leong Bank (Cambodia) PLC**
Head Office Branch:
No. 28, Samdech Pan Avenue
(St. 214), Sangkat Boeung Raing,
Khan Daun Penh, Phnom Penh
Kingdom of Cambodia

Tel : +855 23 999 711
Fax : +855 23 998 494

2 **Hong Leong Bank (Cambodia) PLC**
Tuol Kork Branch:
No. 150 G & 150 M,
Street 289 Sangkat Boeung Kak 1,
Khan Toul Kork, Phnom Penh

Tel : +855 23 999 711

3 **Hong Leong Bank (Cambodia) PLC**
Olympic Branch Branch:
No 345, 347, and 349, Street 274,
Sangkat Veal Vong, Khan 7 Makara,
Phnom Penh

Tel : +855 23 999 711

4 **Hong Leong Bank (Cambodia) PLC**
Pet Lok Sang Branch:
No.23, Street 271,
Sangkat Toeuk Thla,
Khan Sensok, Phnom Penh,
Cambodia

Tel : +855 23 999 711

5 **Hong Leong Bank (Cambodia) PLC**
Mao Tse Toung Branch:
No. 167CD, Mao Tse Toung Blvd
(St. 245),
Sangkat Toul Svay Prey 1,
Khan Chamkamorn, Phnom Penh

Tel: +855 23 999 711

6 **Hong Leong Bank (Cambodia) PLC**
Boeung Snor Branch:
SL08 and SL09 of Polaris Shop,
National road N01,
Boeung Chhouk Village,
Sangkat Niroth,
Khan Chbar Ampov,
Phnom Penh, Cambodia

Tel : +855 23 999 711

7 **Hong Leong Bank (Cambodia) PLC**
Sen Sok Branch:
#65&67, St. 1003, Phum Bayab,
Sangkat Phnom Penh Thmey,
Khan Sensok,
Phnom Penh, Cambodia

Tel : +855 92 376 263

LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

1 **Hong Leong Bank Berhad**
Labuan International Branch
(Licensed Labuan Bank No. 160118D):
Level 6 (G), Main Office Tower,
Financial Park Labuan Complex,
Jalan Merdeka,
87000 Labuan F.T. Malaysia

Tel : 6087-422253
Fax : 6087-422263

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FORM OF PROXY

HongLeong Bank Berhad
Registration No. 193401000023 (97141-X)

I/We____

NRIC/Passport/Company No.______________________________

of ____

being a member of HONG LEONG BANK BERHAD (the "Bank"), hereby appoint________________________

____

NRIC/Passport No.__________________________________

of____

or failing him/her__________________________________

NRIC/Passport No.__________________________________

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighty-Second Annual General Meeting of the Bank to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 30 October 2023 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

RESOLUTIONS		**FOR**	**AGAINST**
1.	To approve the payment of Director Fees and Directors' Other Benefits		
2.	To re-elect YBhg Tan Sri Quek Leng Chan as a Director		
3.	To re-elect YBhg Datuk Manharlal A/L Ratilal as a Director		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
5.	To approve the ordinary resolution on Authority to Directors to Allot Shares and Waiver of Pre-emptive Rights		
6.	To approve the ordinary resolution on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and Persons Connected with them		

Dated this_________day of_____________________2023

________________________ Number of shares held

________________________ Signature(s) of Member

________________________ CDS Account No.

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2023 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Bank.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its duly authorised attorney or officer.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice will be put to vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Group Company Secretary

HONG LEONG BANK BERHAD
Registration No. 193401000023 (97141-X)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Hong Leong Bank Berhad
Registration No. 193401000023 (97141-X)

Level 19, Menara Hong Leong
No. 6, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2081 8888
Fax : 03-2081 7801

www.hlb.com.my

As part of Hong Leong Bank's support for environmental sustainability,
this Annual Report is printed on Forest Stewardship Council (FSC) certified paper.