



HongLeong Bank Berhad

Annual Report **2023**



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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.

The Business

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**

Awards & Accolades

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

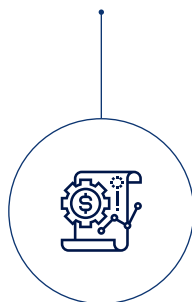
RM279.9 billion in assets as at 30 June 2023

LOCATIONS ▼





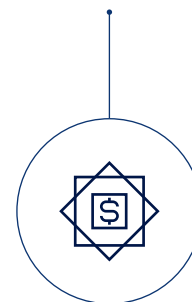
Personal
Financial
Services



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



2013

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



2011

HLB completed merger with EON Bank Group



2009

HLBVN opened its doors in Ho Chi Minh City



2008

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



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



Corporate Milestones

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)



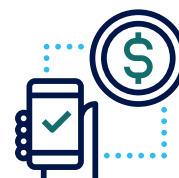
- Established the first Hong Leong Bank Digital Concept flagship branch in Damansara City, featuring Personalised Teller tablets, Teller Assisted Units and a Discovery Zone interactive digital platform
- Piloted Multi-lingual Robot Concierge services at Damansara City Priority Banking Branch
- Introduced 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

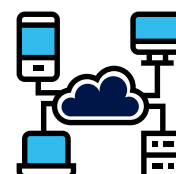
BUSINESS

- 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



Corporate Milestones

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



Corporate Milestones

- 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.

Chairman's Statement



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.

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.

TOTAL ASSETS

RM279.9 ———● **+10.0%**
billion

GROSS LOANS AND FINANCING

RM181.7 ———● **+8.0%**
billion

EARNINGS PER SHARE

186.4 ———● **+16.0%**
sen

Chairman's Statement

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.

Chairman's Statement

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%**

Chairman's Statement

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

Chairman's Statement



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

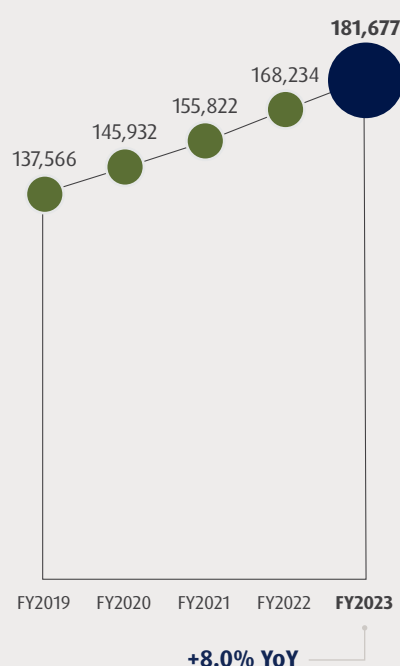
Five Year Financial Highlights

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

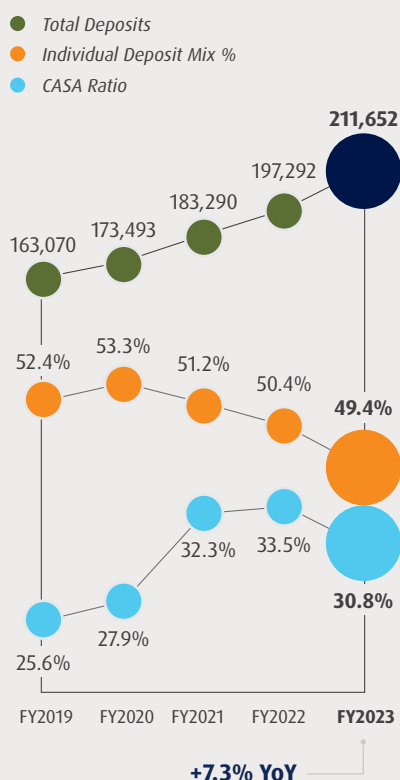
RM'Million



Deposits from Customers

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

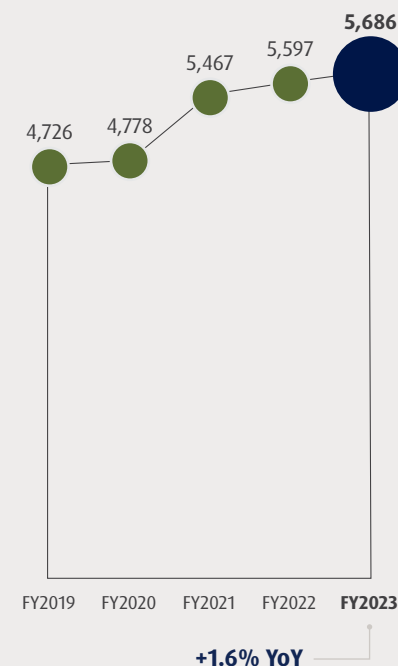
RM'Million



Total Income

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

RM'Million



Five Year Financial Highlights

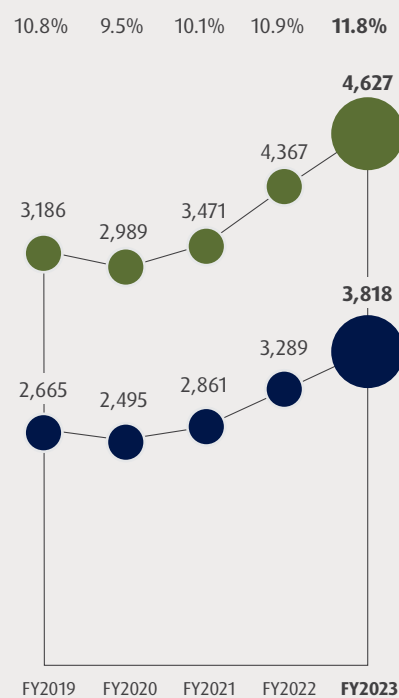
Bank	FY2019 RM'million	FY2020 RM'million	FY2021 RM'million	FY2022 RM'million	FY2023 RM'million
Total Assets	169,461	177,707	188,434	198,130	215,057
Gross Loans, Advances and Financing	109,943	113,745	120,402	128,054	136,343
Customer Deposits	131,397	137,633	144,357	155,007	162,733
Shareholders' Fund	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

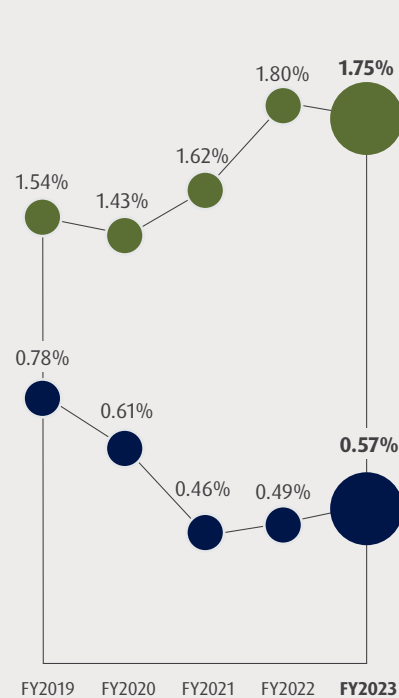
RM'Million

- PBT
- PAT

ROE %**Asset Quality**

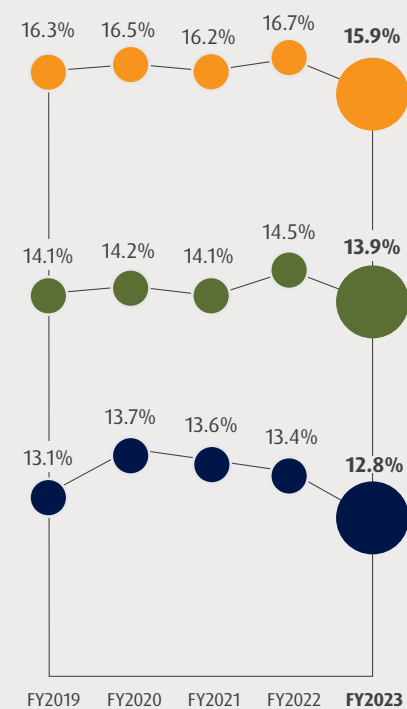
Healthy asset quality with a stable GIL ratio and adequate loan impairment coverage

- Industry GIL Ratio
- GIL Ratio

**Capital Ratios**

Solid capital positions which are supportive of future business expansion

- Total Capital %
- Tier 1 %
- CET 1 %



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

Group Managing Director/Chief Executive Officer's Review



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.

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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.

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.

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

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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.



Group Managing Director/Chief Executive Officer's Review



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.

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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

Group Managing Director/Chief Executive Officer's Review

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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.

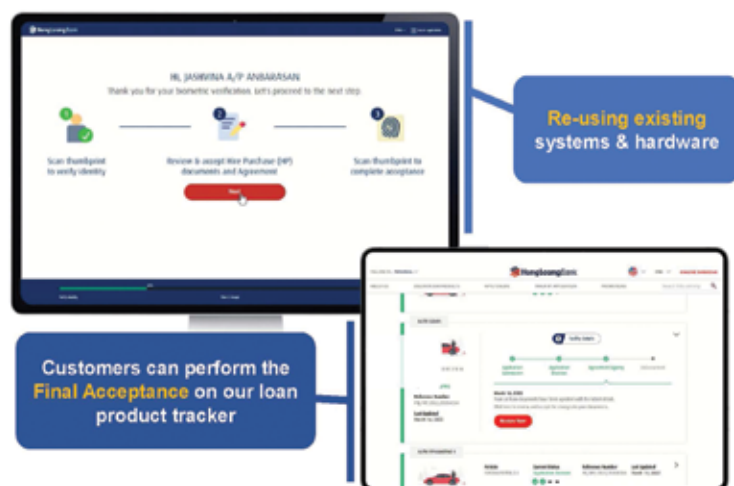
Moving ahead, we have several upgrades and enhancements in the pipeline

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



Group Managing Director/Chief Executive Officer's Review

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.

Group Managing Director/Chief Executive Officer's Review

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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.

Group Managing Director/Chief Executive Officer's Review

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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.

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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.

A NEW WAY TO JOIN HLB

HLB Wallet enables financial inclusion for all Malaysians, with account & control limits

INSTANT ACCOUNT OPENING

Immediate access to your account & access to HLB Connect

ENHANCEMENTS

- Extending for applicants 12+ years old
- Catering for Sole Proprietors (H2 2023)

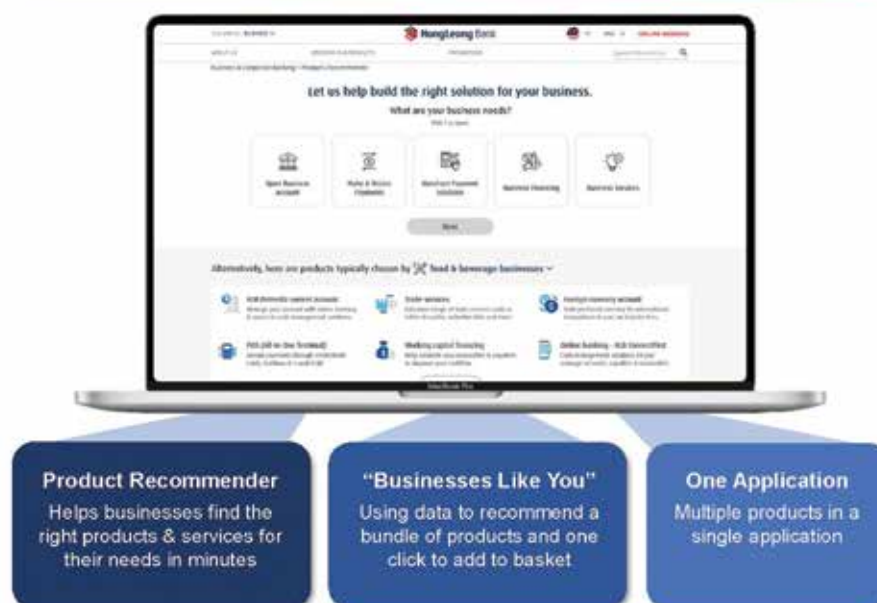


RM5,000 account limit

Ability to upgrade to full account features

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.

Business Product Recommender



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.

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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

Group Managing Director/Chief Executive Officer's Review

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 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.

Group Managing Director/Chief Executive Officer's Review

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. Sustainability, 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

Group Managing Director/Chief Executive Officer's Review

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 LOANS / FINANCING RM181.7 billion +8.0% Y-O-Y	DEPOSITS RM211.7 billion +7.3% Y-O-Y	GROSS IMPAIRED LOAN RATIO 0.57%	LOAN IMPAIRMENT COVERAGE RATIO 168.8%
		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

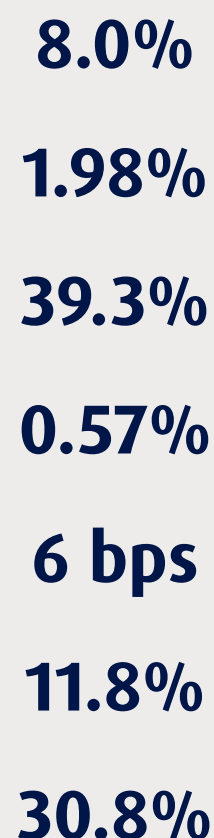
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FY2023 KEY PERFORMANCE INDICATORS (KPIs)

TARGET FY2023



ACHIEVED FY2023



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.

Management Discussion & Analysis

FINANCIAL REVIEW

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

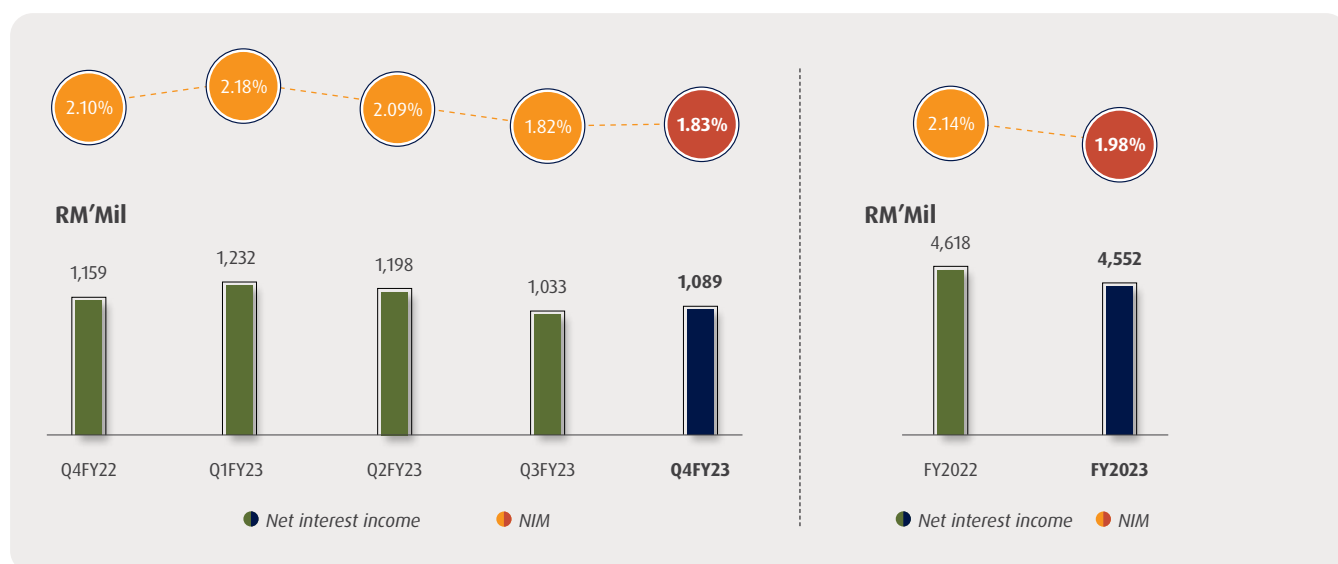
For FY2023, NIM came under pressure with the heightened cost of funds arising from banks striving to comply with the Statutory Reserve Requirement ("SRR") followed by elevated deposit competition. Thus, NIM moderated to 1.98% while net interest income stood at RM4.6 billion.

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.

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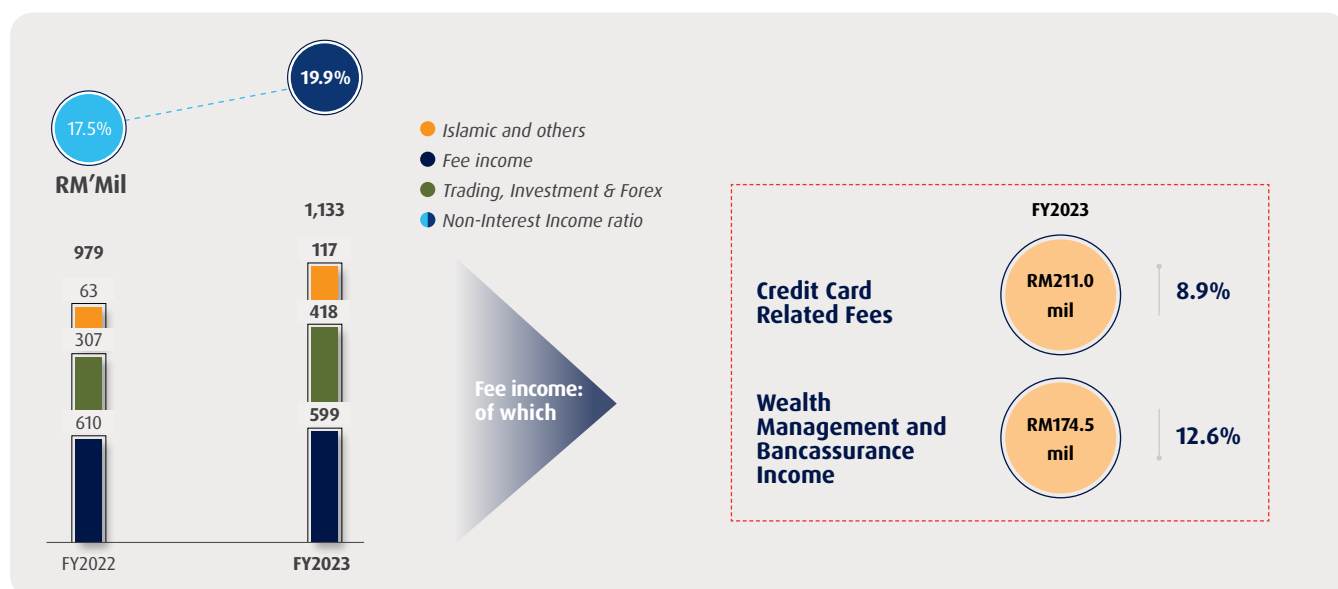
A) Net Interest Income (Cont'd.)



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 BOCB 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.



Management Discussion & Analysis

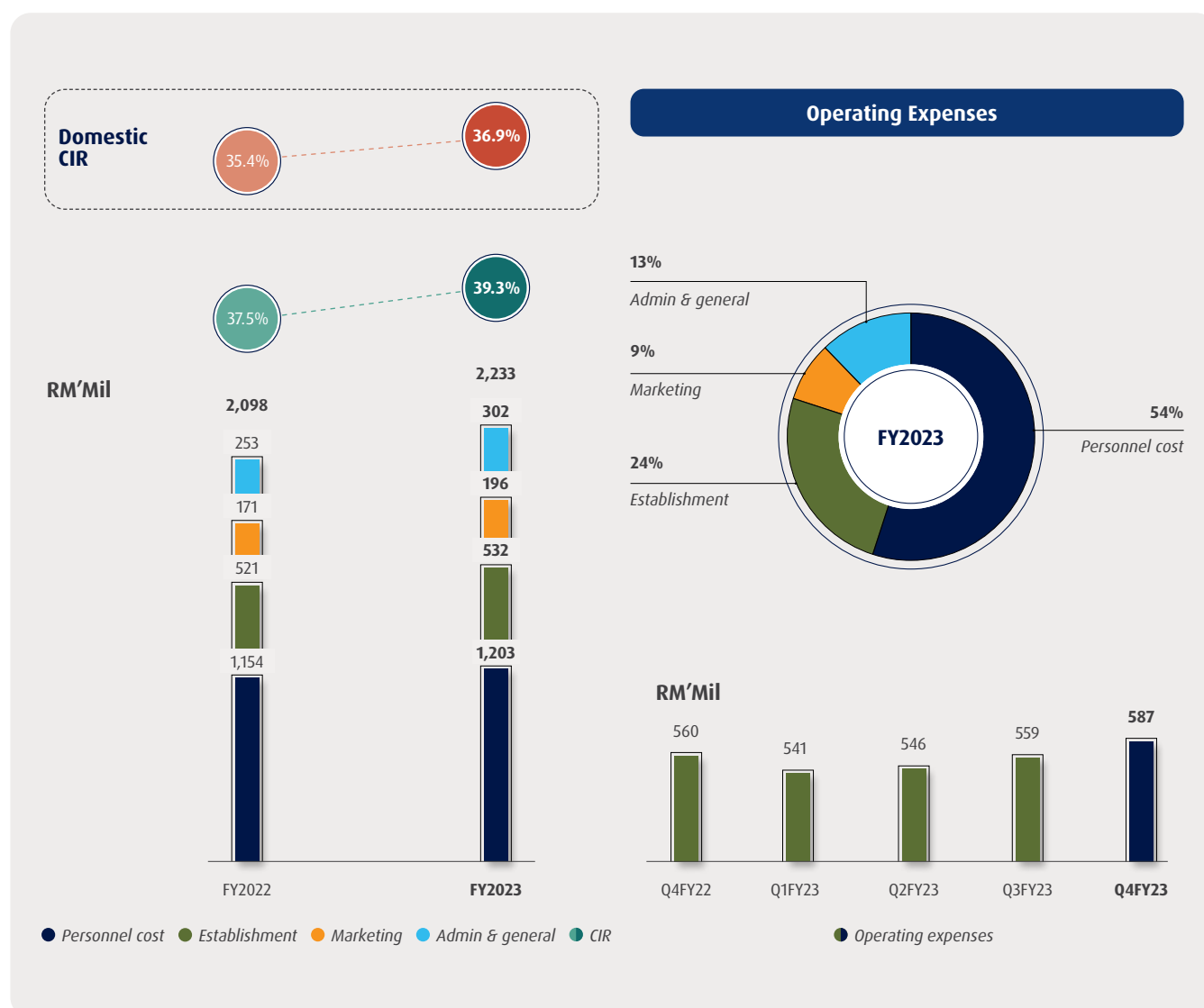
FINANCIAL REVIEW

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.



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5 GROSS LOANS, ADVANCES AND FINANCING

COMMENDABLE GROWTH TRAJECTORY DRIVEN BY EXPANSION IN KEY SEGMENTS

Gross Loans, Advances and Financing by Domicile	FY2022		FY2023		Growth %
	RM'million	% Contribution	RM'million	% Contribution	
Total Domestic Operations	156,479	93%	167,712	92%	7.2%
International Operations	11,755	7%	13,965	8%	18.8%
<i>of which</i>					
<i>Singapore</i>	7,625	4.5%	9,368	5.2%	22.9%
<i>Hong Kong</i>	21	0.01%	47	0.03%	121.9%
<i>Vietnam</i>	1,653	1.0%	1,956	1.1%	18.3%
<i>Cambodia</i>	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		FY2023		Growth %	Domestic Market Share %
	RM'million	% Contribution	RM'million	% Contribution		
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.

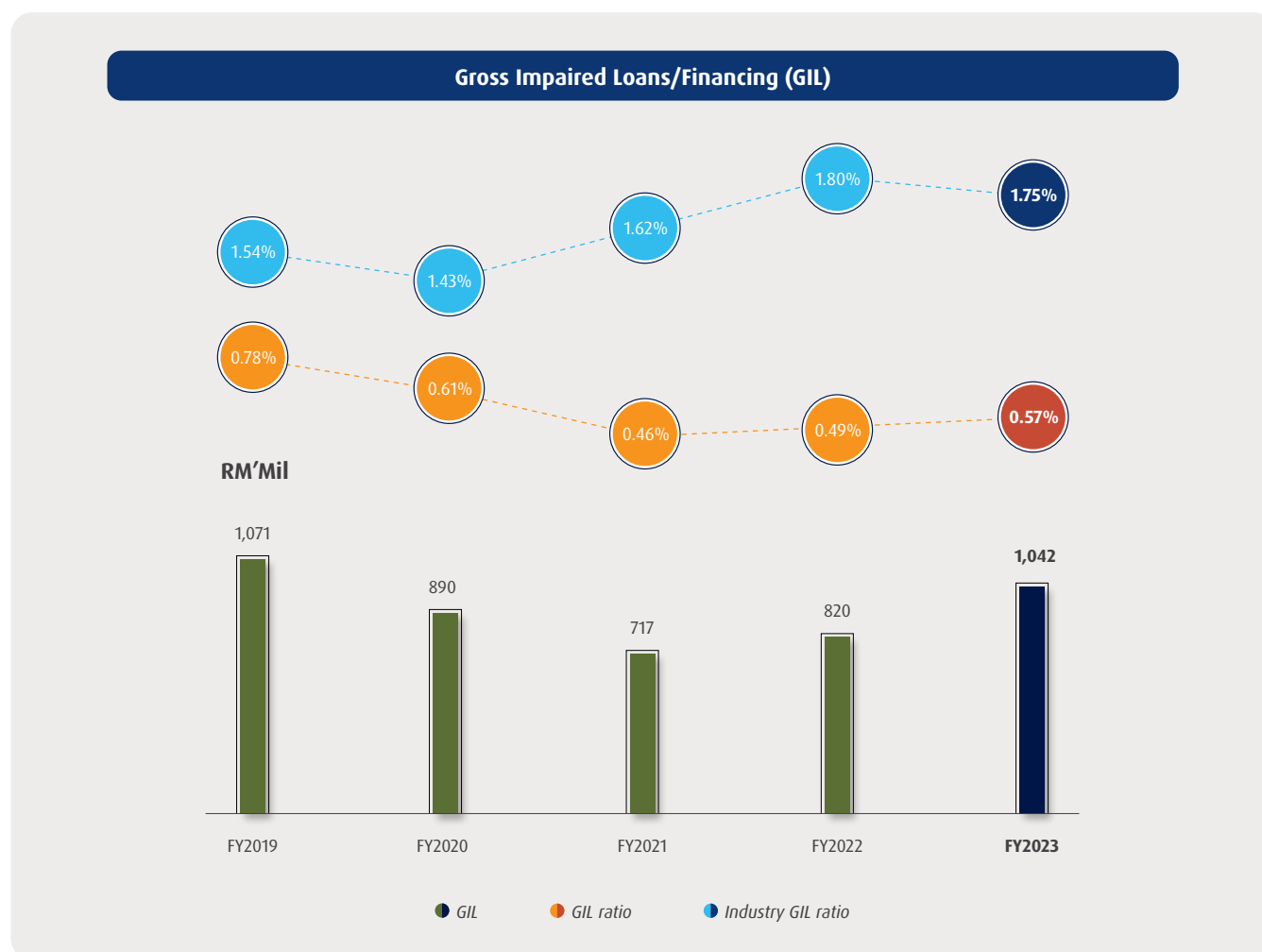
Reported SME loans growth was encouraging with a 9.7% y-o-y expansion to RM33.0 billion, as we supported SMEs in their business and financial needs. Within this SME portfolio, the Bank's community banking initiative continued its solid performance with encouraging growth of 13.2% y-o-y, attributed to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

Management Discussion & Analysis

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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.

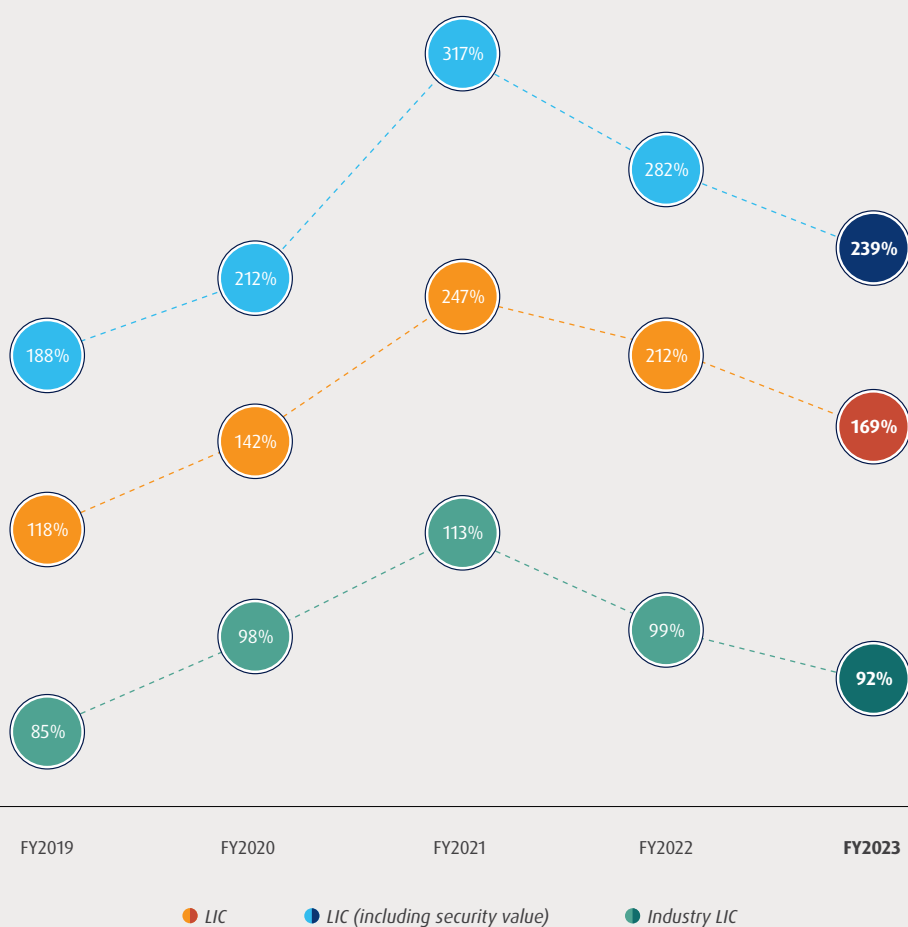
Asset Quality by Key Segments	FY2022	FY2023	Industry Average
Residential Properties	0.38%	0.45%	1.48%
Transport Vehicles	0.20%	0.22%	0.51%
SME	1.25%	1.06%	3.03%

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.

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Loan/Financing Impairment Coverage (LIC)



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%.

Management Discussion & Analysis

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7 CUSTOMER DEPOSITS

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

Customer Deposits by Domicile	FY2022		FY2023		Growth %
	RM'million	% Contribution	RM'million	% Contribution	
Total Domestic Operations	183,457	93%	192,874	91%	5.1%
International Operations	13,835	7%	18,778	9%	35.7%
<i>of which</i>					
<i>Singapore</i>	10,290	5.2%	14,380	6.8%	39.7%
<i>Hong Kong</i>	119	0.1%	308	0.1%	160.0%
<i>Vietnam</i>	1,310	0.7%	1,871	0.9%	42.8%
<i>Cambodia</i>	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		FY2023		Growth %	Domestic Market
	RM'million	% Contribution	RM'million	% Contribution		
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%

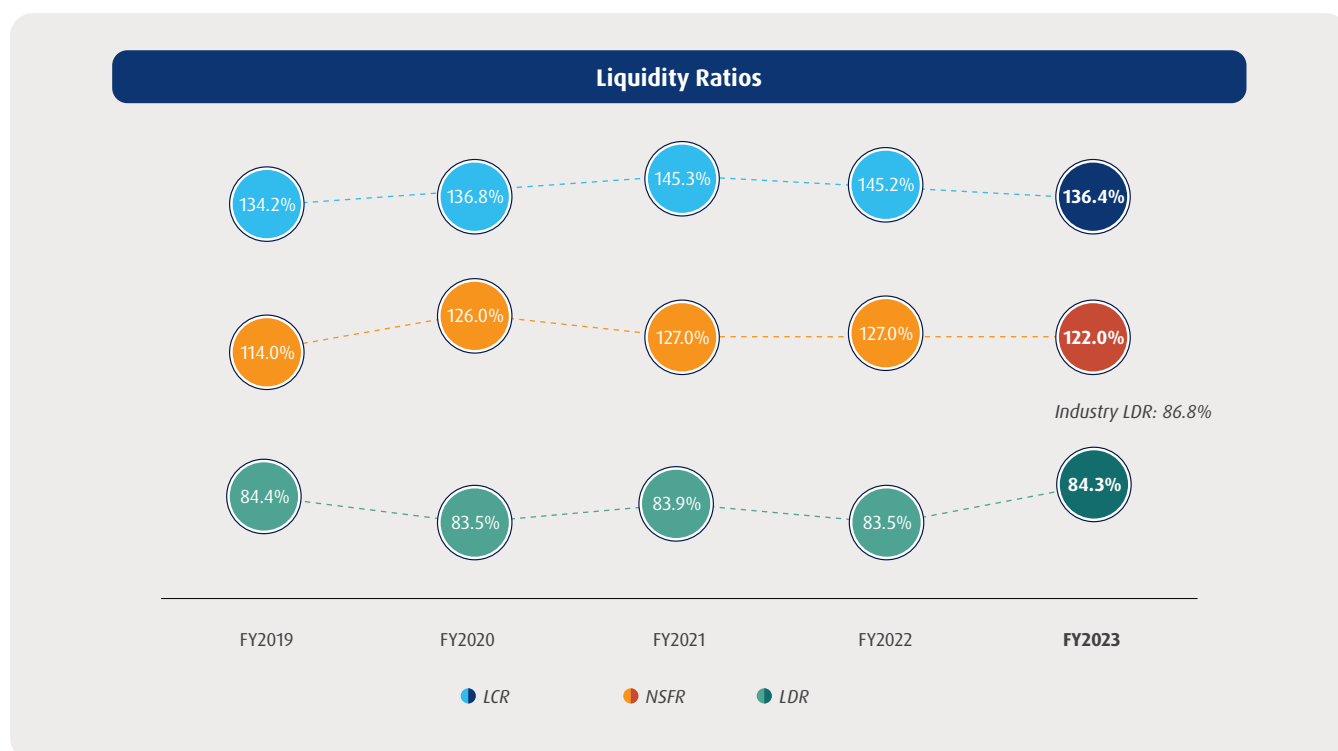
Core customer deposits comprising demand, savings and fixed deposits made up 84% of our total customer deposits base and expanded by 10.9% y-o-y. CASA stood at RM65.1 billion with a healthy CASA ratio of 30.8%, as we continue to focus on the Bank's cash management solutions and community acquisition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

Management Discussion & Analysis
FINANCIAL REVIEW

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

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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.

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.

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

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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%*

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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**

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BUSINESS OPERATIONS REVIEW

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.



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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.

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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.

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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.

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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.

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BUSINESS OPERATIONS REVIEW

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

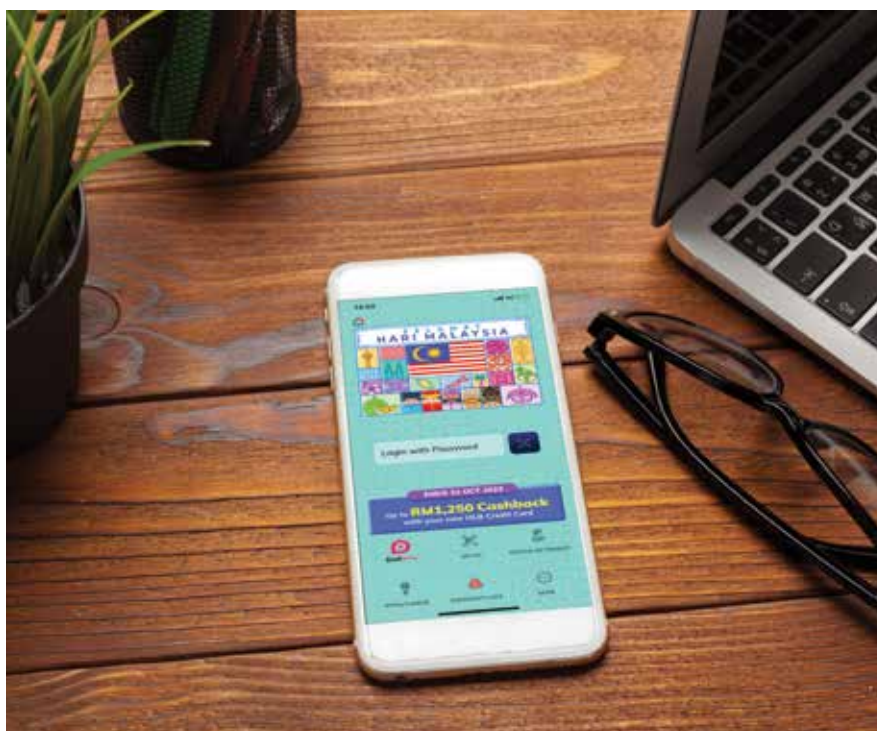
PBT

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.

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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.

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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%).



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.

TOTAL ASSETS

RM56.6

billion

— 10% Y-0-Y

FINANCING ASSETS

RM41.1

billion

— +13% Y-0-Y

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

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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

Management Discussion & Analysis

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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.

China

Hong Kong

Cambodia

Vietnam

Malaysia

Singapore

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.

Management Discussion & Analysis

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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

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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

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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

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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.

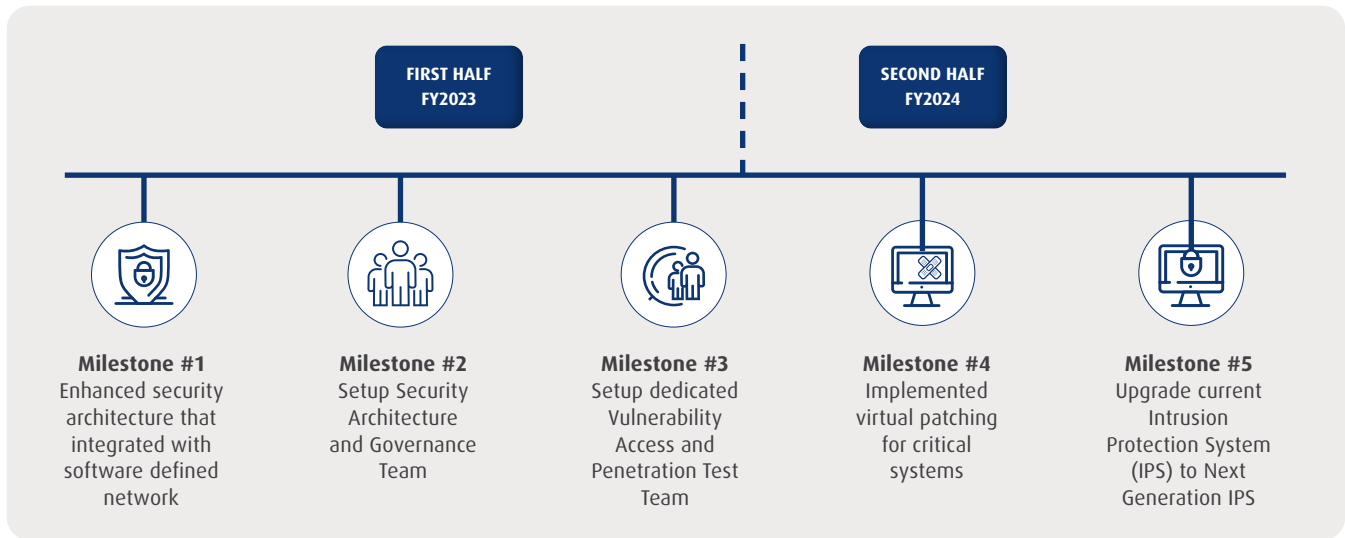
This includes adopting a software-defined network structure with multi-tier security and establishing a security architecture and governance team to enforce standards aligned with regulatory guidelines. A dedicated Vulnerability Assessment and Penetration Test ("VAPT") team has also been formed to identify 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

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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.

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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

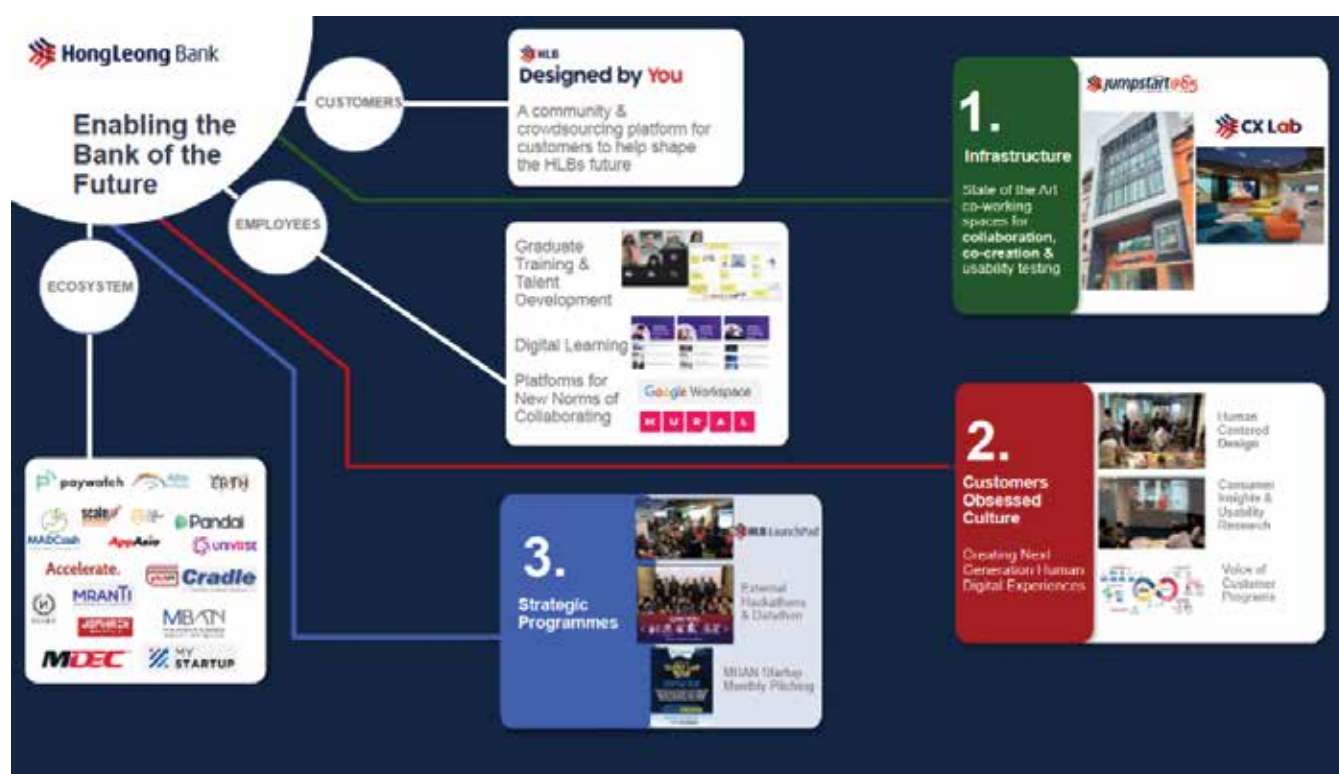
capabilities, promoting widespread adoption and financial inclusivity.

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.



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PILLAR 2: CUSTOMER-OBSSESSED 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.

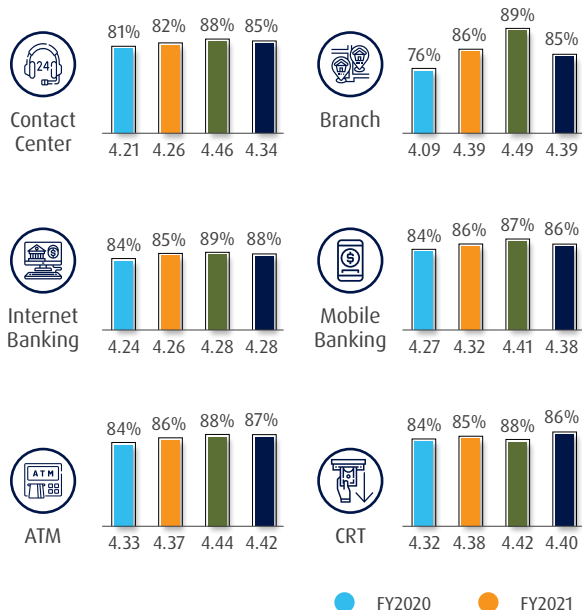
With these advancements in place, our VOC initiative has made substantial progress in improving our CSAT. Our channel satisfaction and product satisfaction scores are approaching our ambitious targets of 4.35 and 90% respectively. These achievements are a testament to our customer-centric approach and underscore our dedication to providing

exceptional experiences that not only meet but go beyond our customers' expectations.

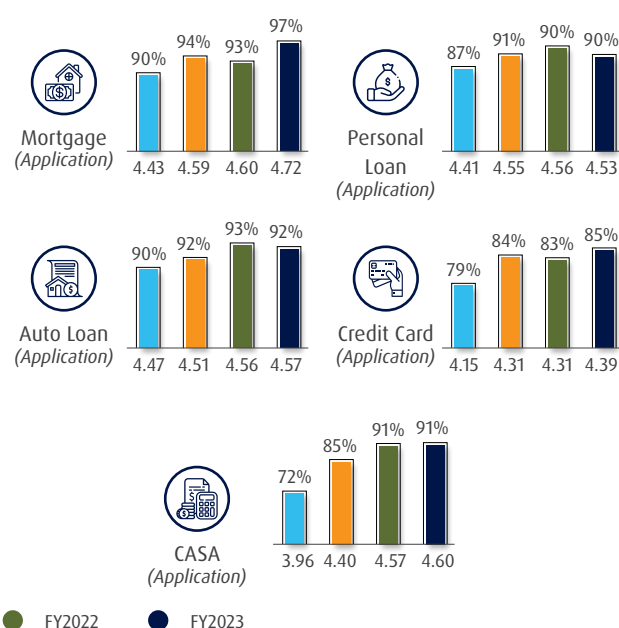


CSAT Dashboard (Y-O-Y)

Channels Customer Satisfaction



Product Applications Customer Satisfaction



Note: Percentages represent the Top 2 Box (“T2B”) scores, with T2B referring to the percentage of customers who rated 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, HLIBS 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



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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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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.

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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

HongLeongBank **HongLeongIslamicBank**

VIRTUAL BROWN BAG CAREER SERIES

NURTURING HEALTHY AMBITION

Fennie is an Associate Trainer, Career and Executive Coach, and Talent Consultant specializing in leadership and talent development, team effectiveness, career planning and development, and health and wellness. With over a decade of experience in a global organizational consulting firm, Fennie has partnered with individuals, teams, and organizations across industries and regions on integrated talent solutions, including executive recruitment, leadership assessment, succession planning, leadership development, talent mapping, and competitive intelligence. In this session you will understand why ambition matters, and how to develop the right amount of it and how to strike a balance between ambition and well-being, whilst also contributing to personal and organisational success.

Fennie Chung
Associate Certified Coach,
International Coaching Federation

13 June, 2023 12 - 1pm

Click here to enrol now!

Or Workday > Learning > Topics > Brown Bag > Nurturing Healthy Ambition

Seats are limited to 450 pax per session.

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.

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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 onboarding 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

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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.

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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.

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MONDAY DESTRESS & DETOX WITH CHILL FLOW YOGA

Let's Improve Our Wellbeing Together
(VIRTUAL SESSION)

Chill Flow with Charlotte (Beginner Level)

This virtual session consists of a slow vinyasa flow that focuses on form and alignment set to relaxed tunes, perfect for moving mindfully with your breath, conditioning your body at a slower pace to encourage resilience, discipline, mental focus and enabling you to take a break from the daily hustle!



Charlotte, an ex-ballerina and gymnast from a very young age and has always been fond of dancing but gave it up as work got in the way. She eventually found her footing and sense of balance through yoga back in 2019.

This class will provide you with the opportunity to refine your fundamental technique – a great option for beginners looking to take your practice to the next level.

Instructor: Charlotte

CLICK HERE TO REGISTER

VIA GOOGLE FORM

Please read the T&Cs before registering



19 June 2023
(Monday)
8pm - 9pm

 **VIRTUAL SESSION**

Join Online! (Up to 500pax) 

Things to prepare:

1. Comfortable Yoga Attire
2. Yoga Mat
3. Towel
4. Water Bottle

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

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



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.

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.