

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

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

Aside from adherence to the above regulations, standards and guidelines, our climate-related disclosures have been further guided by the Recommendations of the Bank Negara Malaysia ("BNM")'s Task Force on Climate-related Financial Disclosures

("TCFD") Application Guide for Malaysian Financial Institutions ("FI"), along with the Climate Change and Principle-based Taxonomy ("CCPT") and Climate Risk Management and Scenario Analysis ("CRMSA") reporting requirements. Through these frameworks and guidelines, we aim to disclose the efforts and impacts of our environmental, social and governance ("ESG") performance via metrics and targets we believe to be relevant for the financial services industry.

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

#### **Global ESG Indices and Assessments**

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



# Sustainability & Climate Approach

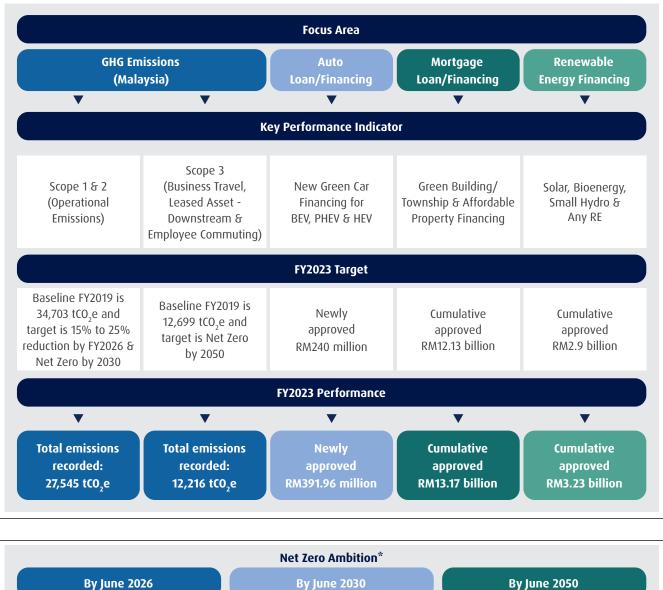
Given our significant reach and impact, HLB strives to do business in a responsible manner to better address the needs of our stakeholders. This has driven us to ensure that sound business practices are embedded across the organisation, underpinned by our robust governance structure. Spurred by our efforts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

#### **Sustainability Themes**

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



### FY2023 SUSTAINABILITY HIGHLIGHTS



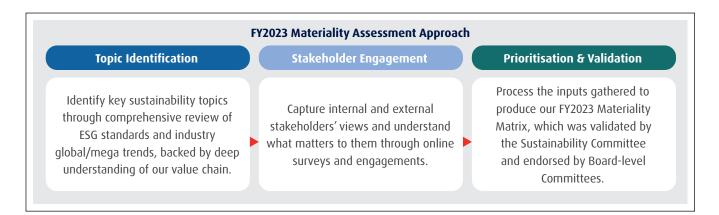


For more details on Our Net Zero Ambition and Measures taken to achieve the Ambition, please refer to the Making The Sustainability Connection chapter on pages 11 to 13 of the HLB Sustainability Report 2023.

#### MATERIALITY

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

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



#### FY2023 Material Topics

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

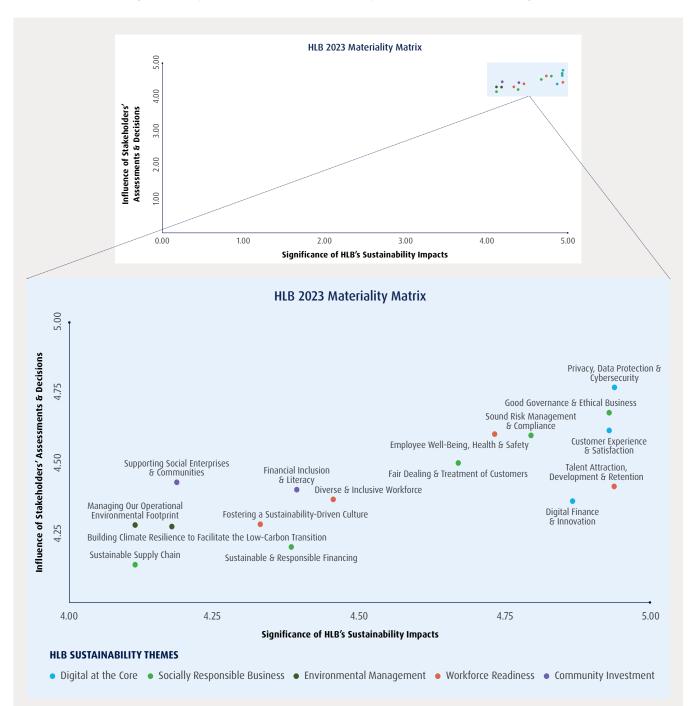
HLB Sustainability Themes	Material Topic	Description
<b>F</b>	Digital Finance and Innovation	Leveraging advanced data analytics and digital systems to develop innovative products aligned with customers' needs, whilst simultaneously increasing accessibility of our offerings to new and existing customers.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

HLB Sustainability Themes	Material Topic	Description
	Sound Risk Management & Compliance	Upholding a strong compliance culture throughout the organisation to ensure compliance to applicable laws, regulations, and standards as well as the prevention of financial crime (e.g. money laundering, terrorism financing, fraud, corruption and bribery).
(RE)		Adopting a systematic and comprehensive risk management approach in identifying and mitigating emerging risks to our business activities by investing in people, technology, policies and processes.
Socially Responsible	Sustainable & Responsible Financing	Integrating ESG factors into the design, evaluation, and management of our financial products and services (e.g. green loans, green bonds, islamic finance for sustainability) to encourage higher adoption of sustainability principles by customers.
Business	Fair Treatment & Dealing of Customers	Ensuring fair treatment of our customers and clients in the conduct of our business by prioritising their financial needs and risk appetite, as well as providing them transparent, accurate, sufficient and easily understood information about our products and services.
	Sustainable Supply Chain	Upholding sustainability procurement principles across the supply chain via robust supplier policies, assessment and engagement practices, whilst also encouraging supplier diversity to include local businesses.
Æ.	Managing Our Operational Environmental Footprint	Responsibly optimising resource consumption to effectively manage the environmental footprint of our operations (e.g. energy management, waste management, water consumption, GHG emissions).
Environmental Management	Building Climate Resilience to Facilitate a Low- Carbon Transition	Identifying and integrating climate-related risks into our strategies, business operations and across our value chain via our risk management framework, in order to facilitate a just transition to a low-carbon economy (e.g. reducing exposure to high-risk sectors, supporting low-carbon solutions).
	Talent Attraction, Development and Retention	Investing in talent attraction, development and retention to cultivate a pool of high-quality talent, whilst also fostering a growth mindset in our employees to ensure their adaptability in today's ever-changing business and technological landscape.
	Diverse and Inclusive Workforce	Promoting and embracing a diverse and inclusive workplace, whereby all employees are treated equally and without discrimination, thus fostering productivity and innovation.
Workforce Readiness	Employee Well- Being, Health & Safety	Creating an inclusive and supportive work environment which supports employee health and safety, promotes their well-being and improves work-life balance via effective policies, processes and labour standards.
	Fostering a Sustainability- Driven Culture	Establishing a corporate culture that embraces and promotes sustainable practices, values, and behaviours throughout the organisation (e.g. encouraging employee volunteerism, implementing ESG capacity-building programmes).
12J	Supporting Social Enterprises and Communities	Developing strategic partnerships with social enterprises to implement community empowerment programmes that create long-term environmental and social impact for underserved communities across our operations.
Community Investment	Financial Inclusion & Literacy	Enabling the accessibility of affordable financial services to all segments of society and promoting financial literacy, thus empowering individuals and businesses to improve their financial well-being.

#### **MATERIALITY MATRIX**

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

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



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

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

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

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



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

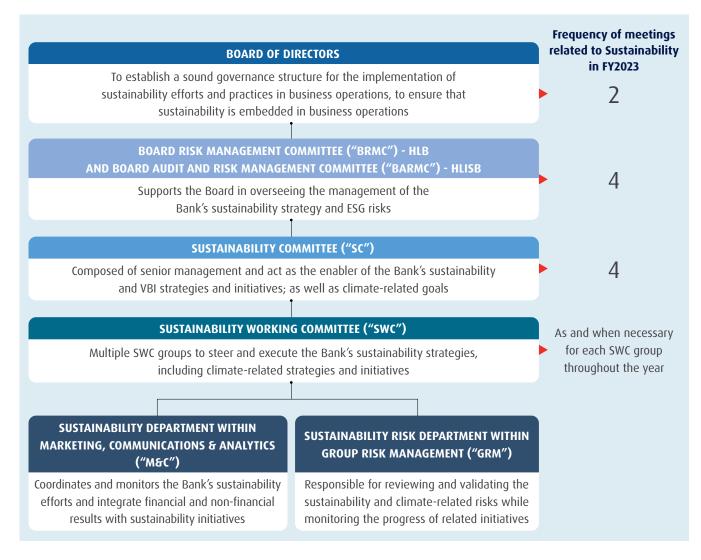
#### SUSTAINABILITY GOVERNANCE

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

#### **Board Roles and Responsibilities**

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

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



#### Sustainability Awareness at the Board and Senior Management level

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

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

#### Ethics, Integrity, and Compliance

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

#### **Upholding Ethics and Integrity**

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

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

HLB's Anti-Bribery and Corruption Compliance training initiatives solidifies our zero-tolerance policy towards corrupt activities, including bribery. The Ethics and Integrity Unit led by the Bank's Ethics and Integrity Officer ("EIO") observes the content of our ABC Programme that focuses on comprehensive, practical, and effective policies for curbing bribery and corruption. We actively provide training and awareness initiatives to our employees in regards to ABC-related matters. Employees are mandated to complete required e-Learning courses conducted via HLB@Workday, our people and performance management platform. These courses are delivered in a blended format encompassing videos, reading materials, assessments, covering topics such as ABC, AML/CFT, Code of Conduct & Ethics, Banking Secrecy, Shariah Compliance and Data Protection.

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

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

#### SOUND ESG RISK MANAGEMENT

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

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

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

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

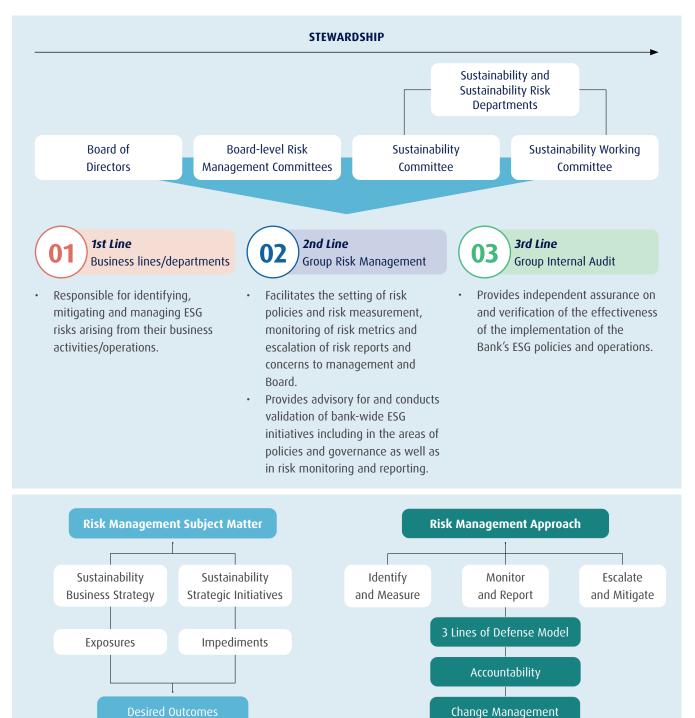
					Board of	Directors			,	•		
	Top Down			Effective stewardship and control								
				HLB HLISB			Monitoring & Reporting					
Set Risk Appetite & Tolerance Limit			Ма	oard Risk nagement mmittee	Techn	ormation ology nittee	N	ard Audit Risk Nanagement Committee				-
-	Set Policies and Capital Allocation		Prese	5	v of risks ar controls w			quate policies	Bottom Up			
				Group Risk	Manageme	nt & Group	Comp	oliance				
Credit Risk	Market Risk	Operationa Risk		Liquidity IT & Regulatory Bribery and ESG Risk Cyber Risk Compliance Corruption Risk Risk			andemic lated Risk	Business Continuity Risk	Shariah Risk			
	Daily management of risks, limits, policies, procedures, and reports											

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

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



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



#### **EFFECTIVE GOVERNANCE FOR CLIMATE RESILIENCE**

#### **Climate Strategy**

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

#### **Climate Governance**

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

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

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

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

#### **Climate Risk Management**

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

#### **Climate-related Opportunities**

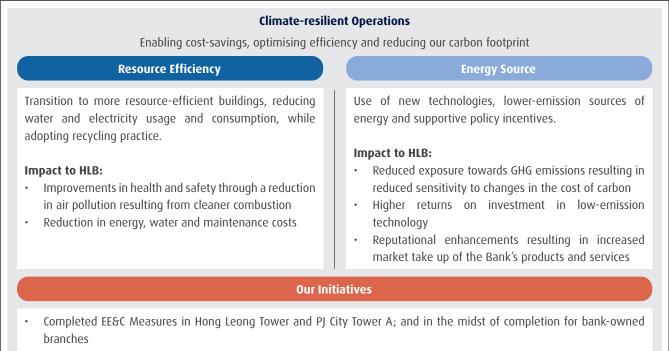
Numerous initiatives have been introduced and implemented with the aim of mitigating and adapting to climate-related risks. This, strengthened with the heightened awareness of climate-related risks, has led to the emergence of new climate-related opportunities throughout the Bank.

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

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

#### **Climate-resilient Operations**

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



• In FY2023, we reduced 844 tCO<sub>2</sub>eq for Scope 1 and 2 emissions for our Malaysian operations compared to FY2022

#### **BUILDING RESILIENCE**

#### **Turning Climate Ambition Into Action**

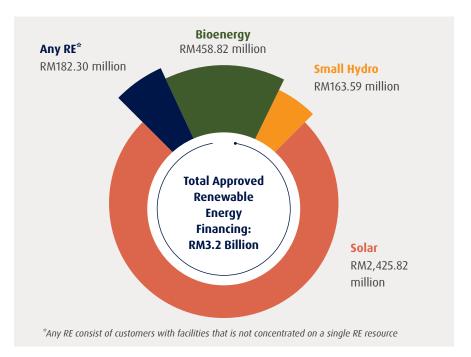
As a financial institution, we recognise that we are well-positioned to influence the transition towards a low-carbon economy. We are cognisant that operationalising our ambitions is essential to our business growth and ability to create long-term value. Therefore, we have developed robust action plans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

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

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

#### **Promoting Cleaner Energy**

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



#### **HLB Renewable Energy Financing**

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

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

#### **HLB RE Proposition**

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

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





#### **SUSTAINABILITY IMPACT**

#### **Sustaining Our Digital Momentum**

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

#### **Innovative Digital Solutions**

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

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

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

#### HLB@Kampung

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



### HLB@School

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

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

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

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



#### **CUSTOMER EXPERIENCE AND SATISFACTION**



#### **Innovating and Enhancing Customer Experience**

The influence of digital technology on the financial sector has parallelly influenced customer needs and expectations when engaging financial services. To ensure a seamless experience, we use our Customer Experience ("CX") lab to reach out to customers, perceiving their growing and changing demands and digital adoption as opportunities to improve. We leverage this to create an experience that is simple. The CX Lab is a culmination of contributions from stakeholders and collaborators to innovate and curate customer journeys as well as products and services. The fruits of the CX Lab are contributory to the inputs from our customers, cross-functional business, operations & technology teams, and external partners (BigTechs, FinTechs, start-ups, academia & other value partners).

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

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



#### **Reaching Out to Customers**

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

#### SUPPORTING SOCIAL ENTERPRISES AND COMMUNITIES

#### **HLB Jumpstart**

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



#### **HLB Jumpstart - Micro Business**

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

#### Jumpstart@65

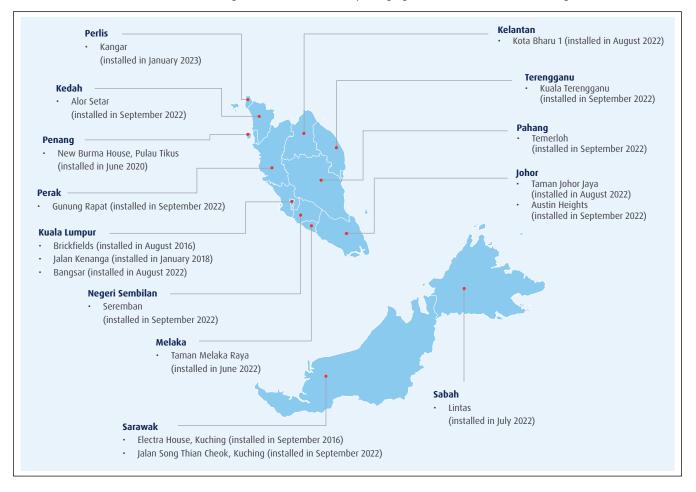
Jumpstart@65 is a community hub that aims to inspire the community by providing education on purposeful life and digital skills, as well as to build a network of people to co-create and collaborate in developing innovative solutions for the communities, the Bank and for the Hong Leong Group. The repurposed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

#### FINANCIAL INCLUSION AND LITERACY

#### Providing Access to the Visually Impaired Community

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

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



#### DuitSmart

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



#### SUSTAINABLE OPERATIONS

#### Managing Our Operational Environmental Footprint

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

#### **Managing Our Resources**

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

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

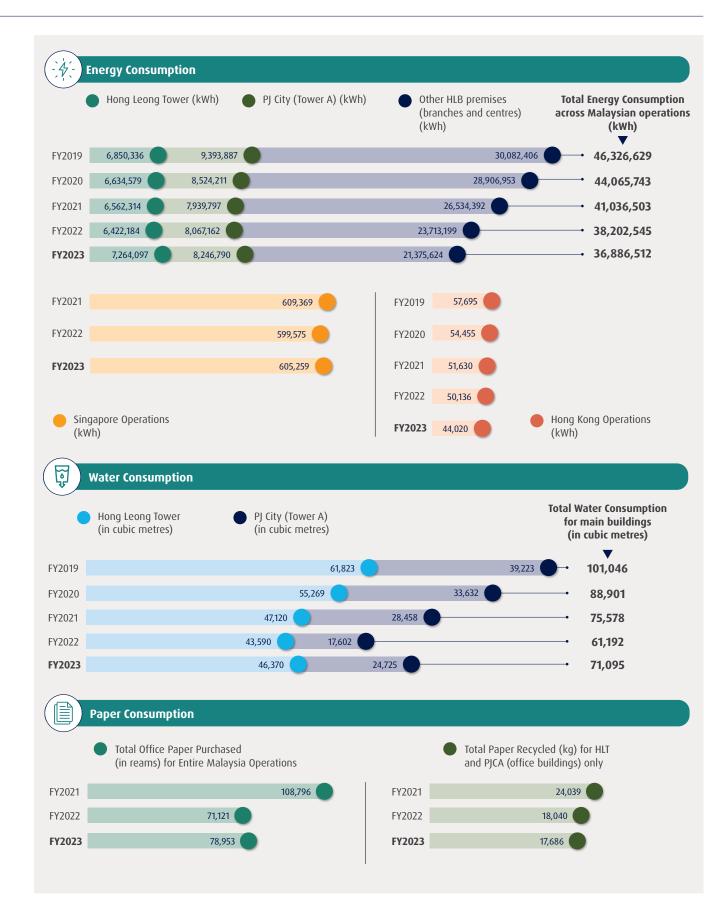
In March 2023, we fully relocated our Data Centre in Wisma Hong Leong to Hong Leong Tower and received a Titanium+ Tier nod from the Green Climate Initiative ("GCI"), an industry-leading green technology accreditation organisation. With this, the Bank's data centre is officially a Certified Green Computing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

#### Water Consumption

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

#### **Paper Consumption**

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

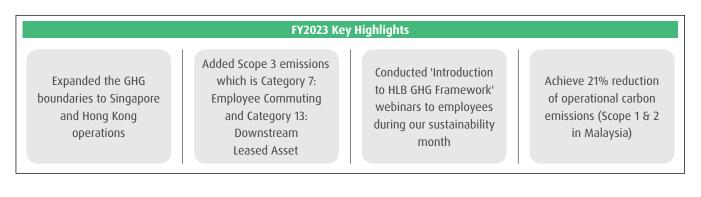


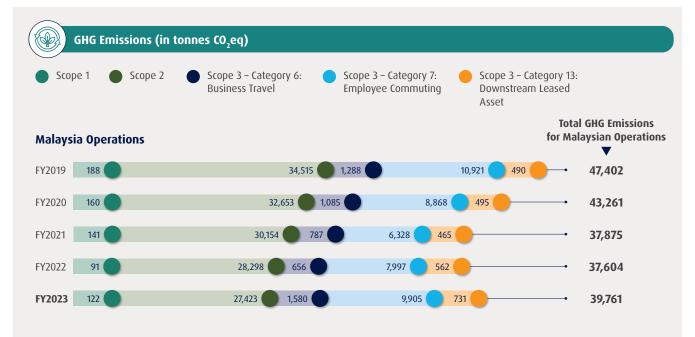
For more details on Optimising Resource Efficiency, please refer to the Sustainable Operations chapter on pages 63 to 65 of the HLB Sustainability Report 2023.

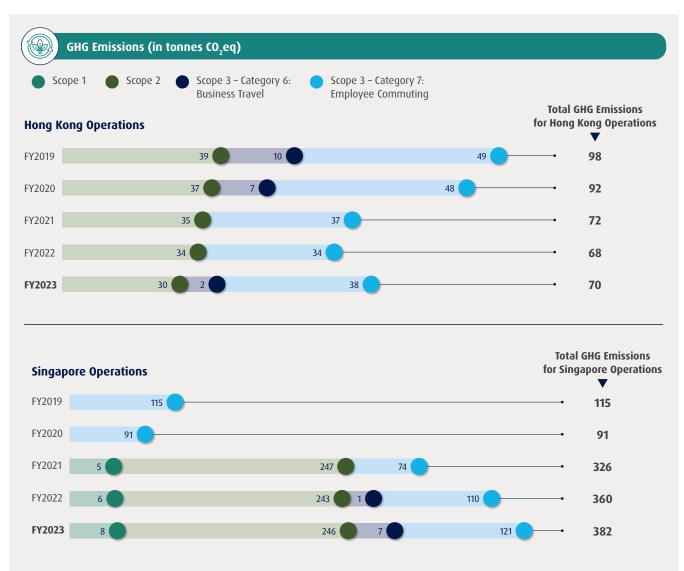
#### **OUR CARBON FOOTPRINT**

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

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







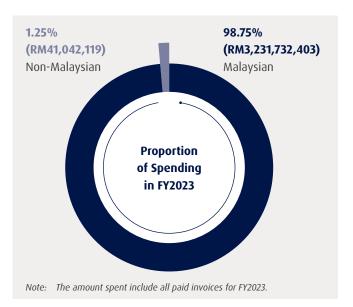
For more details and explanation on each of the data, please refer to the Our Carbon Footprint on pages 66 to 67 of the HLB Sustainability Report 2023.

#### **Sustainable Supply Chain**

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

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

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



#### **Cyber Security Awareness**

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

e-Learning	Cyber Leaders Training	Cyber Comics	Phishing Awareness
Conducted Bank-wide annual mandatory e-learning on Cyber Security and Cyber Risk Management. To ensure knowledge retention, employees are required to complete and pass an assessment with a score of 80%.	Conducted Cyber Leaders training to give a practical overview of the cyber incident handling for managers to guide their team on how to react and report on any potential cyber attacks.	We introduced a series of comics on cyber risk awareness with a virtual cyber security ambassador in the form of an avatar that promotes cyber security best practices within our organisation.	For the year under review, the Technology Risk department conducted a phishing awareness exercise to drive staff's understanding of possible risks.

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

#### **OUR PEOPLE**

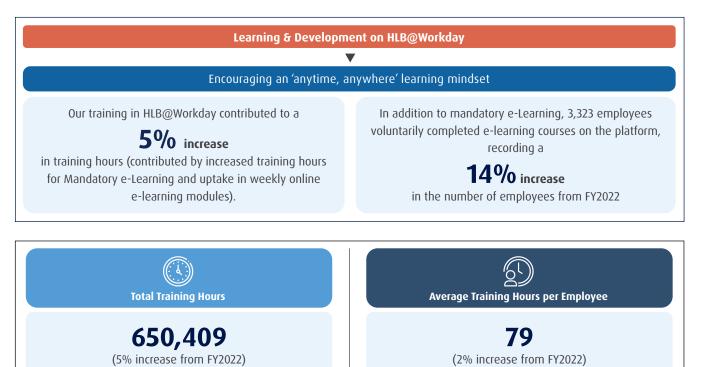
#### Nurturing a Sustainable Employee Experience

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



#### **Workplace Readiness**

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



#### Prioritising Employee Well-Being, Health, and Safety

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

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

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

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

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

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

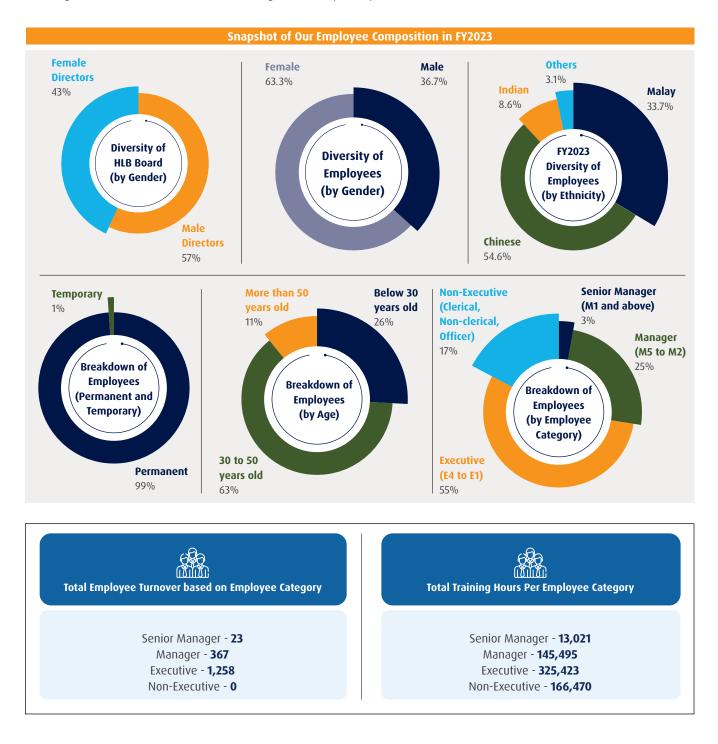
\*\* Total No. of Days Lost due to Accidents inside the Workplace premises and Total No. of Accidents inside the Workplace premises is calculated based on reporting to DOSH.

#### Fostering Employee Engagement and Satisfaction

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

#### **Cultivating Diversity and Inclusion**

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



#### **FOSTERING A SUSTAINABILITY DRIVEN CULTURE**

#### **Sustainability Awareness and Training Initiatives**

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

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

#### **Capacity Building Through Knowledge Sharing**

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



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

#### **HLB Sustainability Month**

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

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

#### **Employee Volunteerism**



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

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

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



# Corporate Information

### DIRECTORS

Tan Sri Quek Leng Chan *(Chairman)* Tan Kong Khoon Kwek Leng Hai Datuk Dr Md Hamzah bin Md Kassim Lau Souk Huan Cheong Soo Ching Fa'izah binti Mohamed Amin Datuk Manharlal A/L Ratilal

### GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Kevin Lam Sai Yoke

#### **GROUP COMPANY SECRETARY**

Jack Lee Tiong Jie MAICSA 7060133 SSM PC No. 202008001704

### **AUDITORS**

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

#### REGISTRAR

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

#### **REGISTERED OFFICE**

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

#### WEBSITE

www.hlb.com.my

# Board of Directors' Profile

### TAN SRI QUEK LENG CHAN

Chairman/ Non-Executive/Non-Independent Malaysian | 80 | Male

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

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

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

### TAN KONG KHOON

Executive Director/ Non-Independent Singaporean | 66 | Male

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

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

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

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

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

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

### Board of Directors' Profile



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

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

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

#### DATUK DR MD HAMZAH BIN MD KASSIM

Non-Executive Director/ Independent Malaysian | 74 | Male

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

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

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

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

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

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

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

# Board of Directors' Profile



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

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

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

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

### **CHEONG SOO CHING**

Non-Executive Director/ Independent Malaysian | 63 | Female

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

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

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

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

### Board of Directors' Profile

### FA'IZAH BINTI MOHAMED AMIN

Non-Executive Director/ Independent Malaysian 55 Female

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

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

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

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

Puan Fa'izah was appointed to the Board of HLB on 1 September 2022 and is the Chairman of BITC of HLB and HLISB. DATUK MANHARLAL A/L RATILAL

Non-Executive Director/ Independent Malaysian | 64 | Male

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

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

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

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

#### Notes:

- 1. Family Relationship with Director and/or Major Shareholder
- YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng Hai are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLB.
- 2. Conflict of Interest

None of the Directors has any conflict of interest with HLB.

3. Conviction of Offences

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

#### 4. Attendance of Directors

Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance Overview, Risk Management and Internal Control in the Annual Report.

# Key Senior Management of the Group



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

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

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

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

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

### **MALKIT SINGH MAAN**

**Chief Financial Officer** 

Malaysian 57 Male

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

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

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

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

## Key Senior Management of the Group

### **ANDREW JONG ANN KEE**

Managing Director, Personal Financial Services Malaysian | 48 | Male

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

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

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

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

### **YOW KUAN TUCK**

Managing Director, Business and Corporate Banking Malaysian | 52 | Male \_\_\_\_

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

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

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

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

## HOR KWOK WAI

Managing Director, Regional Wealth Management Malaysian | 49 | Male

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

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

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

## **KELLY ONG HFEI BOON**

Managing Director, Global Markets Malaysian | 49 | Female

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

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

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

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

## DAFINAH AHMED HILMI

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

Malaysian 46 Female

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

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

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

### AARON HO WAI CHOONG

Managing Director, China Operations Malaysian | 68 | Male

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

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

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



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

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

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

## **TERRENCE TEOH YIH MIN**

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

Malaysian 44 Male

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

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

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

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

## **DUONG DUC HUNG**

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

Vietnamese 47 Male

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

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

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

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

Managing Director & Chief Executive, HLB Hong Kong Branch

Malaysian | 47 | Male

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

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

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

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

#### Notes:

- Family Relationship with Director and/or Major Shareholder None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLB.
- 2. Conflict of Interest None of the Key Senior Management has any conflict of interest with HLB.

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

ended 30 June 2023.

# Board Audit Committee Report

#### CONSTITUTION

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

#### COMPOSITION

#### **MS LAU SOUK HUAN**

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

#### **MS CHEONG SOO CHING**

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

#### YBHG DATUK MANHARLAL A/L RATILAL

(Independent Non-Executive Director) (Appointed as BAC Member with effect from 15 September 2023)

#### **MS CHOK KWEE BEE**

(Independent Non-Executive Director) (Retired with effect from 1 December 2022)

#### YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

(Independent Non-Executive Director) (Retired with effect from 21 June 2023)

#### SECRETARY

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

#### **TERMS OF REFERENCE**

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

#### AUTHORITY

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

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

#### MEETINGS

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

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

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

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

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

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

# Board Audit Committee Report

#### ACTIVITIES

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

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

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

Notes:

- <sup>(1)</sup> Appointed as BAC member with effect from 1 December 2022
- <sup>(2)</sup> Retired as BAC Chairman with effect from 1 December 2022
- <sup>(3)</sup> Retired as BAC member with effect from 21 June 2023

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

#### HOW THE BAC DISCHARGES ITS RESPONSIBILITIES

#### **FINANCIAL REPORTING**

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

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

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

#### **EXTERNAL AUDIT**

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

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

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

The BAC reviewed the external auditors' fees and their scope of services. The approved and incurred fees for the financial year ended 30 June 2023 amounted to RM4,819,548, of which RM255,000 was payable in respect of non-audit services. Nonaudit services accounted for 8% of the total audit fees payable. The BAC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BAC also evaluated the performance of PwC PLT in the following areas in relation to its re-appointment as auditors for the financial year ended 30 June 2023 and considered PwC PLT to be independent:

- (a) level of knowledge, capabilities, experience and quality of previous work;
- (b) level of engagement with BAC;
- (c) ability to provide constructive observations, implications and recommendations in areas which require improvements;
- (d) adequacy in audit coverage, effectiveness in planning and conduct of audit;

# Board Audit Committee Report

- (e) ability to perform the audit work within the agreed timeframe;
- (f) non-audit services rendered by PwC PLT does not impede independence;
- (g) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLB; and
- (h) risk of familiarity in respect of PwC PLT's appointment as external auditors.

PwC PLT, in accordance with professional ethical standards, has provided the BAC with confirmation of their independence for the duration of the financial year ended 30 June 2023 and the measures used to control the quality of their work.

The BAC has therefore recommended to the Board that PwC PLT be re-appointed as the auditors. Resolution concerning the re-appointment of PwC PLT will be proposed to shareholders at the 2023 Annual General Meeting.

#### **RELATED PARTIES TRANSACTIONS**

The BAC conducted quarterly review of the recurrent related party transactions ("RRPT") entered into by the Group to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public.

The Group had put in place the procedures and processes to ensure the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable.

The BAC reviewed the said procedures and processes on an annual basis and as and when required, to ensure that the said procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT will be carried out on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.

#### **CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES**

The Group is guided by the Guidelines on Credit Transactions and Exposures with Connected Parties to ensure that credit transactions with connected parties are carried out on an arm's length basis on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness.

The BAC had conducted quarterly review of credit transactions of the Group with connected parties to ensure compliance with the said Guidelines.

#### WHISTLEBLOWING

The Group has in place the Whistleblowing policy and procedures to provide an avenue for all employees and directors of the Group, as well as any (legal or natural) person including those providing services to, or having a business relationship with the Group, to raise genuine concerns about any improper conduct or wrongful act ("Improper Conduct") that is committed involving the Group and/or the Group's employees and business partners through the Group's whistleblowing channels on a confidential basis.

The BAC reviews the Group's Whistleblowing Policy on an annual basis and as required, to ensure the policy is adequate and relevant to the Group, with compliance to applicable laws and regulation in relation to Whistleblowing. The BAC reviews and performs oversight on the effective implementation of the policies and procedures on Whistleblowing for the Group.

Upon receipt of any whistleblower report over Improper Conduct involving the Group, the Chairman of BAC shall decide whether the report should proceed to investigation and where applicable, forwarded the report to the appropriate person(s) in the Group to carry out the necessary actions. The BAC deliberates the outcome of whistleblowing reports and matters in the exclusive Whistleblowing agenda at the BAC meetings in a confidential manner, to:

- i. discuss and review the investigation reports;
- ii. deliberate on the findings and recommendation from the report; and
- iii. decide on further steps to be taken in accordance with the Group's Whistleblowing policy and procedures.

# Board Audit Committee Report

#### **INTERNAL AUDIT**

The BAC reviewed the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Group Internal Audit Division ("GIAD").

During the financial year, BAC noted that GIAD had effectively carried out internal audits to all business entities of the Group, and reviewed the GIAD's reports on the audits performed on the Group as set out in the Internal Audit Function section below.

The BAC has reviewed the audit findings and recommendations of the GIAD, including any findings of internal investigations, and has ensured that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements and policies. The BAC also reviewed at every BAC meeting the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BAC to ensure that the root causes raised by GIAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

#### **GROUP INTERNAL AUDIT DIVISION**

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. GIAD employs a risk-based assessment approach in auditing the Bank's Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised to potential risk exposure and impact.

During the financial year ended 30 June 2023, GIAD carried out its duties covering audits on branches, and risk-based audits on Personal Financial Services, Business Corporate Banking and Global Markets businesses, Group Operations and Technology, Group Functions, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

Besides performing internal audit functions to the Bank Group, GIAD, through a service agreement, also provides internal audit services to Hong Leong Investment Bank Berhad, Hong Leong Assurance Berhad, and Hong Leong MSIG Takaful Berhad in regards to reviews of IT infrastructure, operations and information security management. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2023 was RM14.5 million.

This BAC Report is made in accordance with the resolution of the Board of Directors.

# Board Risk Management Committee (BRMC) Report

#### CONSTITUTION

The Board Risk Management Committee ("BRMC") is established to support the Board in discharging the following responsibilities:

- 1. Oversee Management's implementation of the Bank's governance framework and internal control framework/ policies.
- 2. Ensure Management meets the expectations on risk management as set out in the policy document on Risk Governance.
- 3. Oversee Management's implementation of compliance risk management.
- Promote the adoption of sound corporate governance principles as set out in the Policy Document on Corporate Governance within the Bank and its subsidiaries (collectively known as "the Bank").
- 5. Consider Environmental, Social and Governance (ESG) issues when reviewing, risk management policies, as well as oversee progress against goals and targets for addressing climate related issues.

#### COMPOSITION

The BRMC shall:

- (a) have at least three directors;
- (b) comprise only non-executive directors, with a majority of them being independent directors;
- (c) be chaired by an independent director who is not the Chairman of the Board;
- (d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the board committee; and
- (e) include the Chair of the Board Audit Committee.

#### SECRETARY

The Secretariat to the BRMC is the Group Risk Management ("GRM") of the Bank.

#### **TERMS OF REFERENCE**

#### **RISK MANAGEMENT**

- To review Management's activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, interest rate risk in the banking book, operational risk, compliance risk, and environmental, social and governance (ESG) risk.
- 2. To review Management's reporting to the Board on measures taken to:
  - (a) Identify and examine principal risks faced by the Company.
  - (b) Implement appropriate systems and internal controls to manage these risks.
- 3. To review Management's major risk management strategies, policies and risk tolerance for Board's approval.
- To review Management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan for Board's approval.
- 5. To review Management's development and effective implementation of the ICAAP.
- 6. To review Management's stress testing governance including the evaluation of the capital stress test scenarios, parameters, key assumptions, climate risk pathways and results.
- 7. To review Management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- 8. To review the adequacy and effectiveness of Management's internal controls and risk management process.
- 9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- 10. To review risk management function's infrastructure, resources and systems and to ensure the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk-taking activities.

# Board Risk Management Committee (BRMC) Report

- 11. To receive and review reports from pertinent management committees.
- 12. To review Management's implementation of risk management as set out in BNM's policy documents on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
- 13. To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.
- 14. To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide opportunity for the Chief Risk Officer to discuss issues faced by the risk management function.
- 15. Other risk management functions as may be agreed to by the Board.

#### COMPLIANCE

- 1. To assist the Board in the oversight of the management of compliance risk by:
  - (a) reviewing compliance policies and overseeing management's implementation of the same;
  - (b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer to ensure the compliance function and Chief Compliance Officer has appropriate standing, authority and independence;
  - (c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
  - (d) reviewing annually the effectiveness of the Company's overall management of compliance risk, having regard to the assessments of Senior Management and internal audit and interactions with the Chief Compliance Officer;
  - (e) overseeing the Management's implementation of the principles set out in the Policy Document on Fair Treatment of Financial Consumers, including to promote the adoption of a sound corporate culture within the Bank which reinforces ethical, prudent and professional conduct and behaviour; and
  - (f) updating the Board on all compliance matters, including providing its views on (a) to (e) above.

- 2. In relation to the role of the Chief Compliance Officer, support the Board in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:
  - (a) reviewing and advising on the appointment, remuneration, removal and redeployment of the Chief Compliance Officer;
  - (b) ensuring that the Chief Compliance Officer has sufficient stature to allow for effective engagement with the CEO and other members of Senior Management;
  - (c) engaging privately with the Chief Compliance Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Compliance Officer to discuss issues faced by the compliance function;
  - (d) ensuring that the Chief Compliance Officer is supported with sufficient resources to perform duties effectively; and
  - (e) where the Chief Compliance Officer also carries out responsibilities in respect of other control functions, the BRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the Chief Compliance Officer.
- 3. Other compliance functions as may be agreed to by the Board.

#### GOVERNANCE

- 1. Noted that:
  - (a) The Bank, as a company with licensed subsidiary companies has overall responsibility for ensuring the establishment and operation of a clear governance structure within its subsidiaries.
  - (b) The Board's responsibility is to promote the adoption of sound corporate governance principles throughout the Bank.
  - (c) The Bank's risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation within the Bank.
  - (d) The respective subsidiaries' board of directors and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at the Bank level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of Bank policies.

#### AUTHORITY

The BRMC is authorised by the Board to:

- 1. review any activities of the Bank within its terms of reference;
- 2. seek any information it requires from any Director or member of Senior Management and in this respect, all employees are directed to co-operate with any request made by the BRMC, including but not limited to providing the BRMC with sufficient support and resources to investigate any matter within the mandates of the BRMC; and
- 3. obtain independent legal or other professional advice if it considers necessary.

The Board remains fully accountable for any authority delegated to the BRMC.

#### **MEETINGS**

The BRMC meets at least eight (8) times a year and additional meetings may be called at any time as and when necessary.

The Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Audit, Chief Compliance Officer, other Senior Management, employees and external auditors may be invited to attend the BRMC meetings, whenever required.

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

Two (2) members of the BRMC, who shall be independent and non-executive, shall constitute a quorum. No business shall be transacted at any BRMC meeting unless a quorum is present at the commencement of the meeting and when conducting the business of the meeting.

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

#### **REVISION OF THE TERMS OF REFERENCE**

Any revision or amendment to the Terms of Reference, as proposed by the BRMC, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference which shall be considered duly revised or amended.

#### ACTIVITIES

The BRMC carried out its duties in accordance with its Terms of Reference supported by the Group Risk Management and Group Compliance functions.

For the financial year ended 30 June 2023, eight (8) BRMC meetings and one (1) special BRMC meeting was held and the attendance of the BRMC members is recorded as follows:

Members	Attendance
YBhg Dato' Nicholas John Lough	9/9
@ Sharif Lough bin Abdullah (1)	
Ms. Chok Kwee Bee <sup>(2)</sup>	5/5
Ms. Lau Souk Huan	9/9
Ms. Cheong Soo Ching <sup>(3)</sup>	4/4

Notes:

- <sup>(1)</sup> Retired as a Chairman with effect from 21 June 2023
- <sup>(2)</sup> Retired as a Member with effect from 1 December 2022
- <sup>(3)</sup> Appointed as a Member with effect from 1 December 2022

The BRMC reviewed major risk management strategies, policies and risk appetite levels for Board's approval. In addition, the BRMC regularly reviews risk management reports which covers global and regional economic developments, risk headwinds, capital adequacy, stress tests, credit risk, market risk, interest rate risk in the banking book, compliance risk, liquidity risk, operational risk and environment, social and governance (ESG) risk.

The BRMC also regularly reviews regulatory compliance and financial crime compliance reports which include new regulatory updates, compliance assurance reports, non-compliant incidents report and financial crime compliance trends. The BRMC continuously provides oversight of the Bank's compliance activities to ensure that the Bank is in compliance to all established policies and external regulations.

The BRMC deliberated on stress test results formulated against the backdrop of a highly stressed economic environment, which provided insightful and timely updates particularly on the Bank's financial, capital and liquidity impacts, as well as Management's efforts taken to mitigate any impact.

# Board Risk Management Committee (BRMC) Report

The BRMC also reviewed reports on Management's initiatives on integrating sustainability into the Bank's business and operations. The BRMC deliberated on the progress of the Bank's adoption of BNM's Climate Change & Principle-based Taxonomy (CCPT), Climate Risk Management and Scenario Analysis (CRMSA) as well as the enhancements to ESG assessment frameworks and initiatives. Furthermore, the BRMC evaluates our disclosure developments through the implementation of the Taskforce on Climate-Related Financial Disclosures (TCFD). In managing climate-related risk, the BRMC endorsed the embedding of a risk appetite statement on climate change resiliency, as we set towards the Bank's development of relevant risk metrics to manage climate-related risks. The BRMC have also reviewed and endorsed the recovery plan developed for the financial holding company (FHC), which is HLFG and the Bank.

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Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders.

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Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG") 2021 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2023 of the Bank in relation to this statement is published on the Bank's website, <u>www.hlb.com.my</u> ("the Bank's Website").

The Board also reviewed the manner in which the Bank Negara Malaysia's ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

#### SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Bank's Website. The Board Charter was last reviewed by the Board in July 2023. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. In addition, the Board has established

Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Board Audit Committee ("BAC"); and risk management to the Board Risk Management Committee ("BRMC"). The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

#### SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Bank and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of this Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") and Hong Leong Bank Group Code of Conduct & Ethics, which have been adopted by the Board and published on the Bank's Website. Details of the Hong Leong Bank Group Code of Conduct & Ethics are set out in Section F of this Statement.

#### **SECTION B. BOARD COMPOSITION**

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of seven (7) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Bank is guided by the BNM CG Policy and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2023, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

#### **SECTION C. BOARD COMMITTEES**

Board Committees have been established by the Board to assist in the discharge of its duties.

#### (A) BAC

The composition of the BAC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BAC had met its responsibilities are set out in the BAC Report in this Annual Report.

The BAC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

#### (B) BRMC

The composition of the BRMC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BRMC had met its responsibilities are set out in the BRMC Report of this Annual Report.

The BRMC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

### (C) NC

The NC was established on 17 June 2003. The composition of the NC is as follows:

- Ms Lau Souk Huan (Chairman)
- Mr Tan Kong Khoon
- YBhg Datuk Manharlal A/L Ratilal (Appointed as NC member with effect from 15 September 2023)

The NC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

#### **SECTION C. BOARD COMMITTEES (CONTINUED)**

#### (C) NC (CONTINUED)

The Bank has in place a Fit and Proper ("F&P") Policy as a guide for the process and procedure for assessment of inter alia, (i) new appointments and re-appointments of Chairman, Directors and GMD/CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and GMD/CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

#### (i) New Appointments

The nomination, assessment and approval process for new appointments is as follows:



In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and required mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Bank has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of GMD/CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

#### (ii) Re-Appointments

The assessment and approval process for re-appointments is as follows:

- Assessment against Assessment Criteria and BNM Guidelines
- F&P Declaration
- Relevant Credit Bureau Checks
- CTOS (Bankruptcy) Search
- Independent Background Checks
- Recommendation by the NC

Deliberation by the Board and decision thereof

For re-appointments, the Chairman, Directors and GMD/CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and commitment, and for independent directors, their independence. The NC will also consider the results of the Annual Board Assessment (as defined below), their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

#### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (C) NC (CONTINUED)

#### (iii) Board Committees Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committees Appointments") is as follows:

Identification of Directors for Board Committees membership

- Assessment against Assessment Criteria and BNM Guidelines
- Recommendation by the NC

Deliberation by the Board and decision thereof

The assessment for Board Committees Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

#### (iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

- · Directors to complete:
  - the Board Annual Assessment Form the F&P Declaration

CEO to complete the F&P Declaration

Independent Background Checks

- Assessment against Assessment Criteria and Guidelines
  - Recommendation by the NC

Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and GMD/CEO pursuant to the BNM Guidelines. Directors and GMD/CEO are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Directors, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of 1 year of service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of the Board Committee members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Bank and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

#### SECTION C. BOARD COMMITTEES (CONTINUED)

### (C) NC (CONTINUED)

#### (iv) Annual F&P Assessment (Continued)

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

During the financial year ended 30 June 2023 ("FY2023"), three (3) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Lau Souk Huan <sup>(1)</sup>	1/1
Mr Tan Kong Khoon	3/3
YBhg Dato' Nicholas John Lough	3/3
@ Sharif Lough bin Abdullah (2)	
Ms Chok Kwee Bee (3)	2/2

<sup>(1)</sup> Appointed as NC Chairman with effect from 1 December 2022

- (2) Retired as NC member with effect from 21 June 2023
- <sup>(3)</sup> Retired as NC Chairman with effect from 1 December 2022

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

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2023:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Bank. The NC will continue to maintain women participation on the Board in line with the MCCG;
- Considered and assessed the position of Independent Directors of the Bank and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors, GMD/CEO and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors, GMD/CEO and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;
- Reviewed the term of office and performance of the BAC and each of its members in accordance with the TOR of BAC and was of the view that the BAC and each of its members had carried out their duties in accordance with the BAC TOR for the period under review;
- Reviewed the re-appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;
- Reviewed the appointment of Directors and GMD/CEO in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting ("AGM") pursuant to the Constitution of the Bank;
- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees, and recommended to the Board for consideration and approval; and
- Considered the Board Policy on Succession Planning of the Board.

### (D) REMUNERATION COMMITTEE ("RC")

The RC was established on 17 June 2003. The composition of the RC is as follows:

- YBhg Datuk Manharlal A/L Ratilal (Chairman) (Appointed as RC Chairman with effect from 15 September 2023)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Cheong Soo Ching

The RC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

#### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

During the FY2023, two (2) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Datuk Dr Md Hamzah bin Md Kassim	2/2
Ms Cheong Soo Ching	2/2
YBhg Dato' Nicholas John Lough	
@ Sharif Lough bin Abdullah (1)	2/2

<sup>(1)</sup> Retired as RC Chairman with effect from 21 June 2023

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

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained

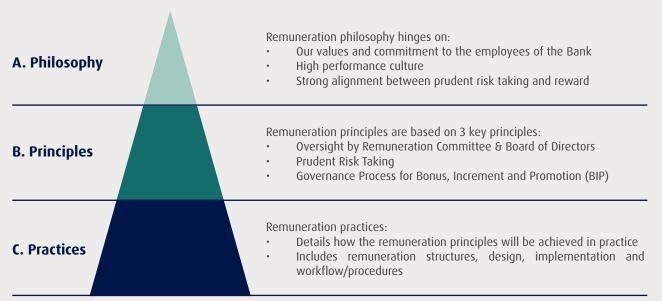
between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/ industry practices. INEDs of the Bank are paid fixed annual director fees, Board Committee fees and meeting allowance for each Board and Board Committee meeting attended. The remuneration of INEDs is recommended and endorsed by the Board for approval by the shareholders of the Bank at its AGM, and payable in cash to INEDs upon approval of the shareholders of the Bank.

The detailed remuneration of each Director during the FY2023 is as set out in Note 40 of the Audited Financial Statements in this Annual Report.

#### **Remuneration Philosophy & Framework**

Hong Leong Bank Group's (HLBG) remuneration strategy supports and promotes a high performance culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process that incorporates meritocracy in performance, HLB values, prudent risk-taking and key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.



**Overview of Remuneration Policy Framework** 

#### **SECTION C. BOARD COMMITTEES (CONTINUED)**

#### (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

#### **Guiding Principles**

### Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board, framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the CG disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

#### Principle 2 — Prudent Risk Taking

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

#### <u>Principle 3 — Governance Process for Bonus, Increment</u> and Promotion ("BIP")

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation. The Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.

#### **Remuneration Practices**

#### **Measurement of Performance**

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas (KRAs) in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values, which now includes a prompt under the Here For The Long Term value for employees to share their efforts in sustainability.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

#### Pay Mix Delivery and its Purpose

The overall Total Compensation for the GMD/CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performancebased variable pay, long term incentives, benefits and other employee programmes.

1. Fixed Pay (base pay and fixed cash allowances)

Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

#### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

#### **Remuneration Practices (continued)**

#### Pay Mix Delivery and its Purpose (continued)

2. Performance-based variable pay

Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. A robust key performance indicators setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours of staff are minimised and sufficient control mechanisms are in place. Variable bonus awards for individuals in senior management position and in excess of certain thresholds will be deferred over a period of time.

3. Long term incentives

In addition, the Bank also recognises and rewards individuals for their contributions towards the Bank's long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

The clawback mechanism can be triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

The variable portion of remuneration (both Performance-based variable pay and long-term incentives) increases along with the individual's level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystallize over a period of time, reinforces HLB's corporate and risk culture in promoting prudent risk taking behaviours.

4. Employee Benefits and Programmes

Employee benefits (e.g. health screening, medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

#### **Remuneration Disclosure**

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023:

#### i) GMD/CEO

Name	Category	Cash (RM)	Shares (RM)	Total (RM)
Domenic Fuda	Fixed remuneration Variable remuneration	2,641,200	-	2,641,200
(Retired with effect from 30 June 2023)	1. Non-deferred 2. Deferred	22,460,625	۔ 2,553,741 <sup>*</sup>	22,460,625 2,553,741*

#### **SECTION C. BOARD COMMITTEES (CONTINUED)**

### (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

#### **Remuneration Practices (continued)**

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023: (continued)

#### ii) Senior Management

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
Fixed Remuneration					
Cash-based	23	21,625,097		-	-
Shares and share-linked					
instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	23	12,939,728	1,635,805	2,315,525	1,363,006
Shares and share-linked					
instruments	20	-	1,537,393*	2,163,275*	3,542,201*
Other	-	-	-	-	-

Senior Management refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Bank and any person who assumes primary or significant responsibility for key control functions of the Bank.

#### iii) Material Risk Takers

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
Fixed Remuneration					
Cash-based	14	9,028,048		-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	14	3,682,095	328,982	522,803	334,208
Shares and share-linked					
instruments	7	-	292,215*	458,596*	290,841*
Other	-	-	-		-

Other material risk takers refers to an officer who is not a member of Senior Management Officers of the Bank and who can materially commit or control significant amounts of the Bank's resources or whose action are likely to have a significant impact on the Bank's risk profile.

Note: \* The value of share is based on the valuation used for MFRS2 Accounting.

#### SECTION C. BOARD COMMITTEES (CONTINUED)

# (E) BOARD INFORMATION AND TECHNOLOGY COMMITTEE ("BITC")

The BITC was established on 1 January 2020 to jointly support the Boards of Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad in discharging the following responsibilities:

- 1. Oversee technology and cyber security related matters.
- Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
- Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology ("BNM RMIT Policy").

The composition of the BITC is as follows:

- Puan Fa'izah binti Mohamed Amin (Chairman) (Appointed as BITC Chairman with effect from 1 December 2022)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Lau Souk Huan (Redesignated as BITC member with effect from 1 December 2022)

The BITC's functions and responsibilities are set out in the TOR which is published on the Bank's Website.

During the FY2023, four (4) BITC meetings were held and the attendance of the BITC members was as follows:

Member	Attendance
Puan Fa'izah binti Mohamed Amin (1)	2/2
YBhg Datuk Dr Md Hamzah bin Md Kassim	4/4
Ms Lau Souk Huan	4/4
Ms Cheong Soo Ching <sup>(2)</sup>	2/2

Appointed as BITC Chairman with effect from 1 December 2022
 Resigned as BITC member with effect from 1 December 2022

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023:

- Reviewed the IT Strategy and monitored the progress against management plan;
- Reviewed the IT Capital Budget and updates;

- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities;
- Deliberated on the digital disruption, IT innovation and ongoing development in digital trends in the financial services industry, and assessed impact, if any on the digital strategy of the Group;
- Reviewed the cyber security strategy/framework and progress update of the information security roadmap;
- Reviewed the progress update of key IT Projects;
- Reviewed the production incidents and trends;
- Reviewed the cyber security events and incidents;
- Reviewed the progress update of the information security enhancement plan;
- Reviewed the management of technology obsolescence risk;
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy;
- Reviewed and assessed IT-related policies/ guidelines;
- Reviewed the risk assessment on IT outsourcing and insourcing arrangements of the Group;
- Reviewed the audit findings identified by the Group Internal Audit Division and the External Auditors on IT-related matters and monitored the resolutions and action items in relation thereto;
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans;
- Reviewed the critical patch development activities for critical IT infrastructure;
- Reviewed the status of the compromise assessment initiative and results on Compromise Assessment on the Bank's IT infrastructure;
- Reviewed the Risk Appetite Statement of Technology Risk for the FY2022/2023;

#### **SECTION C. BOARD COMMITTEES (CONTINUED)**

#### (E) BITC (CONTINUED)

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023: (continued)

- Reviewed the assessment results on Performance Review of Critical Technology Service Providers;
- Assessed BNM Thematic Review 2022 against the Bank's position; and
- Reviewed the Bank's planned initiatives in alignment with BNM Financial Sector Blueprint 2022-2026.

#### **SECTION D. INDEPENDENCE**

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Bank does not exceed 9 years. The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision making.

The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the F&P Policy of the Bank. Pursuant to the Tenure Policy, the tenure of an independent director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Bank. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

#### **SECTION E. COMMITMENT**

TThe Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors

provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

#### **SECTION E. COMMITMENT (CONTINUED)**

The Board met eight (8) times for the FY2023 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
Ms Lau Souk Huan	8/8
Ms Cheong Soo Ching	8/8
Puan Fa'izah binti Mohamed Amin (1)	7/7
Ms Chok Kwee Bee <sup>(2)</sup>	4/4
YBhg Dato' Nicholas John Lough	7/7
@ Sharif Lough bin Abdullah (3)	

(1) Appointed as Director with effect from 1 September 2022

(2) Retired as Director with effect from 1 December 2022

<sup>(3)</sup> Retired as Director with effect from 21 June 2023

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

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Bank have completed the Mandatory Accreditation Programme ("MAP") Part I. In line with the recent amendments to MMLR in relation to sustainability training for Directors, the Directors of the Bank will complete the MAP Part II within the prescribed timeframe.

The Bank regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis. The Bank has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, sustainability, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2023, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Bank.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) - Global Islamic Finance Forum 2022
- Asia School of Business (ASB) Leadership for Enterprise Sustainability Asia (LESA) 2023
- Baker McKenzie The Crypto Ecosystem
- Baker McKenzie Integrating crypto into established financial services – Funds and listings
- Baker McKenzie A Deep Dive into NFTs
- Bank of Singapore The Geopolitics Turmoil and its Impact on Family Offices with George Yeo, Former Singapore Minister of Foreign Affairs and Chairman of Kerry Logistics - Geopolitics - is the worst yet to come?
- BNM Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022

#### **SECTION E. COMMITMENT (CONTINUED)**

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including: (continued)

- Bursa Malaysia Presentation of PLC Transformation Guidebook 2 and sharing session by panellists covering their initiatives and viewpoints in embodying sustainability
- CERT Kuala Lumpur Islamic Finance Forum (KLIFF) 2022 Muzakarah Penasihat Syariah Kewangan Islam Ke-15
- Emnes Events 2nd Annual Islamic FinTech Leaders Summit
- FIDE Forum Board Effectiveness Evaluation Post-launch Workshop
- FIDE Forum The Emerging Trends Threats and Risks to the Financial Services Industry: Managing Global Risk Investment and Payment System
- FIDE Forum FIDE Forum Business Lunch Engagement
- FIDE Forum Can America Stop China's Rise? Will ASEAN Be Damaged?
- HLB The Heightened Legal & Regulatory Expectations on Sanctions
- HLB Corporate Liability Provision on Corruption under the MACC Act 2009
- HLB Environmental, Social and Governance Briefing
- HLCB Anti-Money Laundering/Counter Financing of Terrorism & Targeted Financial Sanctions: Prevention, Detection & Collaboration in Fronting Compliance
- HLFG Presentation on Insurtech by JP Morgan Securities Asia Pte Ltd
- HLFG Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- ICDM Bursa Malaysia Mandatory Accreditation Programme (MAP)
- ICDM International Directors Summit 2022: The B Factor -[Bold + Brave] Boards

- ICLIF The Financial Institutions Directors' Education (FIDE) Core Programme
- ICLIF Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment
- ICLIF Values as a Source of Competitive Advantage
- ICLIF Corporate Governance & Remuneration Practices For The ESG World
- ICLIF Risk Management Committee Banking Sector
- ISRA Islamic Finance for Board of Directors Programme
- PIDM-FIDE Forum PIDM Industry Forum 2022: Recovery and Resolution Planning for Banks
- SC Audit Oversight Board Conversation with Audit Committees: How the Audit Committees and Auditors can work together towards reliable audited financial statements
- Singapore Institute of Directors Listed Entity Director Programme (LED): Environmental, Social and Governance Essentials (Core)

#### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

#### **OUR APPROACH TO CORPORATE GOVERNANCE**

Nurturing a strong corporate governance culture encompasses not only the policies or processes that we already have in place but also training that is practical and based on everyday scenarios that can be applied in an employee's work. Our approach to corporate governance includes the following:

1	2		3
Code of Conduct & Ethics	Policies & Processes Continuous Developm		Continuous Development
The HLBG Code of Conduct & Ethics ("CoCE") ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. The HLBG CoCE is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results	In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward		Continuously strengthening corporate governance through cumulative learning across all touchpoints: key learnings from Risk and Compliance Governance Meetings, feedback from customer complaint management channels, BUCO and BUCR meetings and bankwide/ divisional learning for employees

#### **Code of Conduct & Ethics**

Employees are guided by HLB Group's values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in (*Here For The Long Term*); we treat people with respect and seek win-win solutions for all parties (*Collaborate To Win*); we take ownership and make things happen (*Decisiveness*). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (*Innovation*) and celebrate new learning opportunities (*Have Fun*).

The Bank's values, together with the seven principles stated in the HLBG CoCE, is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.

Specifically, in upholding the value of "Here for the Long Term', the HLB Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in the HLBG CoCE.

The HLBG CoCE is applicable to:

- All employees who work in the HLB Group across the jurisdictions in which we operate including but not limited to permanent, part-time and temporary employees;
- Board of Directors of the HLB Group; and
- Any other persons permitted to perform duties or functions within the HLB Group including but not limited to contractors, secondees, interns, industrial attachment and agency staff.

As the HLBG CoCE forms part of the terms and conditions of employment, our employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business, professional activities and personal lives, which might otherwise reflect poorly on the reputation of the HLB Group.

#### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

#### **OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)**

#### **Code of Conduct & Ethic (continued)**

#### **Principles**

There are seven key pillars to the HLBG CoCE:

#### Principle 1 Competence

The HLB Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviour to ensure that our activities are conducted professionally and proficiently.

Our employees must possess and maintain the skills and knowledge needed to perform their roles in accordance with the standards required by the HLB Group to meet its legal, compliance and regulatory obligations.

#### Principle 4 Fairness

A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders

# Compliance

Principle 2

The HLB Group operates in a highly regulated environment and our employees are responsible to ensure that they fully understand and comply with all applicable laws, regulations and regulatory requirements.

### Principle 3 Integrity

The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group. The HLB Group relies on our employees to practice sound decision-making with integrity and take actions that will preserve our HLB Group's values.

#### Principle 5 Confidentiality

The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.

### Principle 6 Objectivity

Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendships or association in performing their role.

Employees are to exercise good judgment at all times and avoid any actions that would create an actual, perceived, or potential conflict of interest.

### Principle 7 Work Environment

The HLB Group is committed to provide a safe and non-violent working environment and will remove any unacceptable behaviours from the workplace. The HLB Group will not tolerate any form of discrimination, harassment (including sexual harassment) or intimidation.

In addition, the HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment.

The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

#### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

#### **OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)**

#### **Policies & Processes**

In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward. The policies are designed to create and cultivate a highly engaged workforce, focused on delivering strategic goals. This highly engaged workforce is expected to maintain high standards of responsibility, professional conduct and behaviour, and are able to be role models to other employees and industry peers.

Policy Name	Purpose
HLBG Code of Conduct & Ethics	The HLBG CoCE ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. All employees are required to attest to the CoCE on an annual basis.
Talent Management Board Policy	The Talent Management Policy aims to set out our talent management strategy in recruiting, developing, retaining talent and succession planning to support and drive the execution of the business strategy with the ambition to build an organization that builds talent to cater for our needs from within.
Learning & Development Management Policy	The Learning & Development ("L&D") Policy sets out principles that will govern the Bank's L&D strategy and execution plans. The aim is to cultivate a highly engaged workforce, focused on delivering strategic goals, maintain high standards of responsibility, professional conduct and behaviour, and are role models to other employees and industry peers.
Remuneration Board Policy	The Remuneration Policy aims to maintain a competitive remuneration strategy, enabling us to attract and retain talent and at the same time balance risk and performance outcomes, with an eye on prudent risk-taking.
Whistleblowing Policy	The Bank's Whistleblowing Policy provides a structured channel for all employees of the HLB Group and any other persons providing services to, or having a business relationship with the HLB Group, to report genuine concerns about any improper conducts or wrongful acts committed within the HLB Group. The Whistleblowing Policy is published on the Bank's Website.

#### **Continuous Development**

The Bank's efforts to continuously strengthen corporate governance is the result of cumulative efforts across every touchpoint. Key learnings from each Risk and Compliance Governance Committee (RCGC) meeting is summarized and circulated to all attendees, BUCRs (Business Unit Compliance Representative), BUCOs (Business Unit Compliance Officer) and respective business units to act upon. BUCOs meet with the L&D team in Human Resources on a monthly basis to review and request for any ad hoc compliance training requirements. Our online and offline customer touchpoints (on social media and via the feedback form on our website and via our branches and contact centre respectively) also serve to provide feedback directly. On learning, each division is responsible for their own content creation of key topics for their divisions, in addition to the compliance topics and videos available on Workday for huddles and the quarterly Mandatory eLearning. The seven pillars of the HLBG CoCE, consists of Competence, Compliance, Integrity, Fairness, Confidentiality, Objectivity and Work Environment, provide further guidance to our people and we ensure that we have the necessary development interventions to support each pillar.

#### SECTION G. ACCOUNTABILITY AND AUDIT

The Bank has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Bank's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

#### I. FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BAC, which assesses the integrity of financial statements with the assistance of the external auditors.

#### II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

#### SECTION G. ACCOUNTABILITY AND AUDIT (CONTINUED)

#### II. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

The Statement on Risk Management and Internal Control as detailed under Section J of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

#### **III. RELATIONSHIP WITH AUDITORS**

The appointment of external auditors is recommended by the BAC, which determines the remuneration of the external auditors. The BAC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BAC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the reappointment of the external auditors.

The Bank also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to non-audit services. Assessment will be conducted by the BAC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

During the financial year under review, the external auditors met with the BAC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BAC members at least twice a year without the presence of Executive Directors and management.

#### **SECTION H. DISCLOSURE**

The Bank has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Bank's Website after release to Bursa.

#### **SECTION I. SHAREHOLDERS**

#### I. DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Bank's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

Shareholders can access the Bank's Website for information such as the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/ briefings, financial information, products information and investor relations. The minutes of the AGM are published on the Bank's Website.

The Board has identified Ms Lau Souk Huan, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

 GENERAL MANAGER, COMMUNICATION & CSR

 Tel No.
 : 03-2081 8888 ext. 61914

 Fax No.
 : 03-2081 7801

 E-mail address:
 <u>capr@hongleong.com.my</u>

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS Tel No. : 03-2081 2972 Fax No. : 03-2081 8924 E-mail address: <u>IR@hlbb.hongleong.com.my</u>

#### II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

#### **SECTION I. SHAREHOLDERS (CONTINUED)**

#### II. AGM (CONTINUED)

8 out of 9 Directors of the Bank and the GMD/CEO attended the last AGM held on 27 October 2022 to engage with shareholders and address issues of concern raised by the shareholders.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the AGM held on 27 October 2022 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa. The Bank had adopted electronic voting for the conduct of poll on all resolutions at the AGM and provided e-lodgement channel for shareholders to lodge form of proxy electronically to the Bank.

#### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### I. INTRODUCTION

The Board recognises that the practice of good governance is an important mandate. The Board has established the BAC and the BRMC to ensure that the Bank maintains a sound system of internal controls and good risk management practices that foster good governance. The processes for assessments of risks and controls are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

#### **II. BOARD RESPONSIBILITIES**

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Bank's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Bank, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Bank is updated periodically to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

#### **III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The organisational structure of the Bank clearly defines the lines of accountability and responsibility. On-going risk assessment and evaluation are an integral part of the Bank's strategic planning cycle and are responsive to the business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Bank's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, and the understanding of procedures and controls, thus improving the overall control environment.

Operationally, the Bank establishes multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory compliance and operational risk units are set up in the various lines of business and in support departments. They oversee the day-to-day compliance to policies, regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas GC is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. At the third level, the Group Internal Audit division complements GRM and GC by monitoring and evaluating the effectiveness of internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management and compliance policies, process, governance and systems. The above is depicted in the following diagram:

## FIRST LINE OF DEFENCE

**Business and Support Units** 

Manage inherent risks and ensure compliance to policies and SOPs in day-to-day activities.

### SECOND LINE OF DEFENCE

Group Risk Management Group Compliance

Sets policies, reviews portfolio risks and provides oversight of risk management and compliance matters.

# THIRD LINE OF DEFENCE

Group Internal Audit

Independent assessment of adequacy and effectiveness of policies and processes.

#### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

#### (a) Risk Management

Managing risks is an integral part of the Bank's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Bank's ability to achieve its strategy and strategic objectives.

Risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.

RISK GOVERNANCE OVERSIGHT Board and management to exercise oversight and set tone from the top

The Bank's risk management framework incorporates the components depicted in the diagram below:

	Culture of risk ownership	Defined risk appetite and capital strategy	Clear framework, policies and process	Rigorous risk surveillance	Robust escalation structure	Functional capabilities and capacity
<b>PILLARS</b> Critical components to put in place	Risk management is part of the day-to-day job of all employees, driven through daily application of management decisions.	Clear articulation of Board's risk appetite in pursuit of its business objectives, supported by ICAAP, and ensuring strategy-risk-capital alignment.	Provide clear direction. Defined business rules and operating parameters. Gives clarity to various parties' accountabilities.	Facilitates early identification of emerging risks and opportunities.	Cultivation of proactive risk communication to support timely and informed decisions.	The right talent pool and infrastructure are key to effectively carry out risk surveillance activities.
			<b>Relev</b> Focus on things			
<b>APPROACH</b> How we implement	<b>Forward looking</b> Be proactive, anticipate emerging risks and opportunities.					
	<b>Sustainable</b> Strive to build for the long term.					

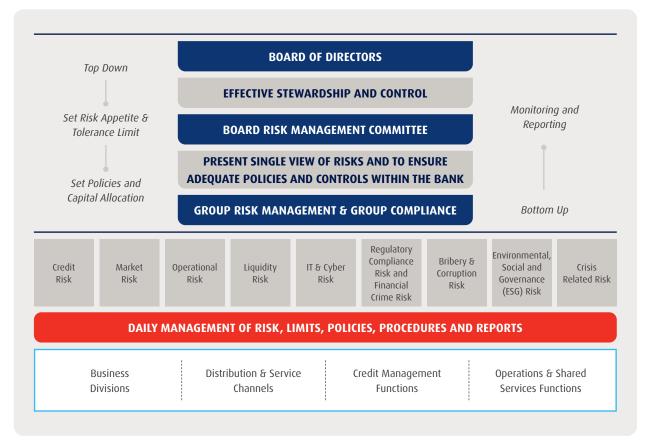
Figure 1: Risk Management Framework

#### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

#### (a) Risk Management (continued)

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:





The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board sets the risk appetite and tolerance level, and allocates the Bank's capital that is consistent with the Bank's overall business objectives and desired risk profile. GRM monitors and reports the Bank's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance matters in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

HONG LEONG BANK'S KEY RISKS			
Type of Risk	Mitigating Actions Taken / Strategy		
Type of Risk CREDIT RISK Credit Risk arises as a result of customers or counterparties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due.			
	• Credit risk reports are presented to the relevant Management and Board level committees. Such reports identify adverse credit trends and asset quality to enable the Bank to take prompt corrective actions and/or take appropriate risk-adjusted decisions.		
	• GRM conducts independent credit reviews on a portfolio basis, which cover the Personal Financial Services, Business and Corporate Banking, Global Markets, Financial Institution's portfolios and portfolios of overseas subsidiaries and branches, providing an independent and where appropriate, countervailing perspective on credit risk management issues including business performance, credit decisions, overall assets quality and credit operations robustness.		
	• In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.		

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

HONG LEONG BANK'S KEY RISKS			
Type of Risk	Mitigating Actions Taken / Strategy		
OPERATIONAL RISK Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.	<ul> <li>Management oversight on Operational Risk Management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC.</li> <li>The Bank's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.</li> <li>The Bank adopts ORM tools such as loss event reporting, risk and control self-assessment and key risk indicators to manage operational risks and are used to assess risk by taking internal control risk and respective reporting.</li> </ul>		
MARKET RISK Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.	<ul> <li>assess risk by taking into consideration key business conditions, strategies and internal controls.</li> <li>Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Bank is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Bank.</li> <li>Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.</li> <li>Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.</li> </ul>		

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

HONG LEONG BANK'S KEY RISKS			
Type of Risk	Mitigating Actions Taken / Strategy		
LIQUIDITY RISK Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets, inability to liquidate assets in a timely manner and/ or inability to meet financial obligations as they fall due.	<ul> <li>The Bank adopts a prudent liquidity management approach that includes establishing comprehensive policies and procedures, implementation of risk controls which are supported by periodic reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board.</li> <li>The Bank seeks to manage liquidity to ensure that our obligations will continue to be honored under normal as well as adverse circumstances. The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.</li> <li>The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The funding strategy is anchored on the strength of our core deposit franchise. The Bank also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there are any potential vulnerabilities</li> </ul>		
	identified during the stress test exercise.		
IT & CYBER RISK Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.	• New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation.		
	• The Bank performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested.		
	• In addition to continuously improving the Bank's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Bank's situational awareness.		
	• Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee ("ITSC") and Information Security Governance Council ("ISGC") whilst Board oversight is effected through the BITC.		

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

HONG LEONG BANK'S KEY RISKS		
Type of Risk	Mitigating Actions Taken / Strategy	
<b>REGULATORY COMPLIANCE RISK</b> Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.	<ul> <li>The Bank undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Bank is in compliance.</li> <li>The Bank participates in providing feedback to the regulators and industry through consultation papers and exposure drafts on policy documents and enhancement activities.</li> </ul>	
FINANCIAL CRIME RISK Financial Crime Risk is the risk of legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to Anti- Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions requirements.	<ul> <li>In mitigating the risk of financial crime, the Bank undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. The Bank leverages on digital automated transactions monitoring and onboarding solutions to strengthen our capabilities in detection, monitoring and reporting of potential suspicious activities.</li> <li>The Bank continuously maintains robust controls as a gatekeeper to the financial system against Money Laundering, Terrorist Financing and Proliferation Financing risks.</li> <li>Management oversight on financial crime matters is effected through the Management level Financial Crime Governance Committee ("FCGC"), whilst Board oversight is effected through the BRMC.</li> </ul>	
BRIBERY AND CORRUPTION RISK Bribery and Corruption Risk is the risk of offering, paying or receiving a bribe through an officer, employee, subsidiary, intermediary or any third party (individual or corporate) acting on the Bank's behalf.	<ul> <li>The Bank ensures that the Management team conducts bribery and corruption risk assessment of the overall Bank's operations periodically to identify, analyse, assess and prioritise actions needed to mitigate internal and external bribery and corruption risks.</li> <li>Management also reviews risk assessment reports, consider improvements to the Bank's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery risks.</li> <li>The Anti-Bribery and Corruption ("ABC") policy is communicated to all our employees, who are required to undergo mandatory training and assessment on completion of training in the subject matter.</li> <li>Clauses relating to ABC have also been incorporated in written agreements to ensure that suppliers to the Bank understand their obligations and abide by the relevant laws and regulations. There is continuous reinforcement of communications to our suppliers on our expectations in relation to ABC.</li> <li>Board oversight of bribery and corruption risk is effected through the BRMC and BAC. The Bank has a Whistleblowing Policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.</li> </ul>	

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

employees, suppliers,

communities. The 'Governance'

stewardship of the organization by its leadership, discharge of the Board and Management's accountabilities in accordance to ethical business practices, and implementation of good internal control frameworks.

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	HONG LEONG BANK'S KEY RISKS
Type of Risk	Mitigating Actions Taken / Strategy
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK Environmental, Social and	• The Bank has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/ financing. These include assessments to screen for and review environmental and social risks, financial evaluation of existing and potential customers, and the
Governance (ESG) Risk is the adverse impacts of material "Environmental", "Social" and	provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system.
"Governance" risks that could subsequently translate to financial risks and potential losses that could affect the business operations and	• The Bank has credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance.
stability of the Bank.	• The Bank manages its environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy.
The 'Environmental' factor considers organisational safeguards for the environment, including corporate policies addressing climate change. The 'Social' factor examines how we manage relationships with	<ul> <li>The Bank has an independent Tender Review Committee that assesses diligence reviews of suppliers across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.</li> </ul>

 Management oversight on sustainability matters is effected through the Management level Sustainability Committee ("SC"), whilst Board oversight is effected through the BRMC. Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

	HONG LEONG BANK'S KEY RISKS						
Type of Risk	Mitigating Actions Taken / Strategy						
CRISIS RELATED RISK	• The Bank has a strategic plan in place to ensure that its operations and services remain fully operational in the event of a crisis.						
Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic,	• The Bank remains cognizant of the need to continuously build and maintain resilience, through close and proactive monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests preparedness to navigate through crisis conditions, while challenging and refining its Business Continuity Management ("BCM") plans and processes based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.						
catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.	• In managing credit risk exposures, the Bank regularly conducts stress tests which incorporate consideration for permutations arising from the pandemic. This is done to assess potential vulnerabilities and provide a forward looking view on areas of potential vulnerabilities given the current operating environment.						

### (b) Basel II and III

The Bank places great importance on Basel II and III and views Basel II and III as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market, operational and liquidity risk management practices. By adopting Basel II and III, the Bank is able and will continue to enhance and embed sound risk management practices within the Bank and be equipped with the right risk management discipline, practices, processes and systems.

For Basel II Pillar 1, the Bank is in compliance with the regulatory standards and is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Bank's Board Policy on Internal Capital Adequacy Assessment Process ("ICAAP") forms an integrated approach to manage the Bank's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Bank has provided the disclosures under a separate Pillar 3 section in this Annual Report.

For Basel III, the Bank is in compliance with the regulatory requirements and will continuously strengthen its capital and liquidity profile in all the countries that the Bank operates in, to ensure sufficient capital and liquidity is maintained to allow for business growth and sound capital / liquidity buffer management.

### (c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the Bank. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in the BNM RMIT Policy) of the Bank to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the GMD/CEO,

# SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

### (c) Internal Audit (continued)

whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.
- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

# IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the GMD/CEO, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank.

Based on the assurance it has received from Management, the Board is of the view that the Bank's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

### V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Bank.

### SECTION K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the Directors to prepare a statement explaining the board of directors' responsibility for preparing the annual audited financial statements and the Companies Act 2016 requires the directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FY2023, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that the relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management and Internal Control is made in accordance with the resolution of the Board.

## Directors' Report

for the financial year ended 30 June 2023

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2023.

### **PRINCIPAL ACTIVITIES**

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic Banking services. Other subsidiary companies are primarily engaged in property investment and management, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 13 to the financial statements.

### **BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR**

For the financial year under review, recovery in the Malaysian economy continued to gain traction, spearheaded by a combination of improving domestic demand and better external conditions, further augmented by a low base effect in 2022. Consumer spending continued to benefit from pent-up demand albeit at a lesser extent, with improving labour market condition and steady wage growth serving as an added impetus to private consumption. Improvement in economic growth for the financial year under review was also driven by increased tourism activities, where positive effects were seen spilling over to the wholesale & retail, hotels, restaurants and other services. Private consumption growth jumped more than five-fold to 11.3% y-o-y in 2022 while both public and private investment saw commendable pick-up. Value-added of all key sectors registered quicker expansion, except manufacturing which was still reeling from some supply disruption in the first half of the financial year under review.

Keeping close to our brand promise of "Built Around You", where customers are at the centre of everything we do, the Bank continuously strive to develop and tailor our banking solutions to our customers with the objective of optimising customer experience. We place utmost priority in managing our credit and liquidity risks and remain steadfast in navigating the ongoing business disruptions to ensure banking and financing services requirements of individuals and businesses are met. Amidst the challenging operating environment, we maintained discipline in our investments and expenditure which allows us to invest in new growth opportunities and continue delivering sustainable returns to our stakeholders. In line with our carbon neutral ambition, the Bank remain committed in promoting and integrating environmental, social and governance ("ESG") practices internally within our own business operations and engage proactively with all our external stakeholders to ensure that they equally emphasise ESG in their strategies and business operations.

### **OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR**

Overall macro outlook remains uncertain and challenging going forward against a backdrop of moderating and uneven global growth prospects. Aftermath of the ongoing geo-political tensions, lagged impact of earlier monetary policy tightening, adverse impact of higher inflation on real consumption, slower than expected recovery in the China economy, would continue posing downside risks to 2023 outlook. On a near to peak unprecedented rate hikes, we are hopeful that the near-conclusion of monetary policy tightening and further resumption of tourism activities will augur well with overall global growth prospects.

In tandem with slower growth in the world economy, the Malaysian economy is expected to expand at a more moderate pace of 4-5% in 2023, as resilient domestic demand is expected to help cushion the softer external condition. Notably, private consumption will remain the main growth pillar, with added support from further recovery in investment activities and tourism related spending.

In line with this, we will remain focus in executing our strategic priorities, where we continuously innovate and emphasise on building products and services propositions that ring true to our brand promise of "Built Around You". As we progress in our journey to be a highly digital and innovative ASEAN financial services institution, we strive to transform customer journeys, build world-class digital capabilities and continue to support and enable our employees to develop to their greatest potential. Our commitment to help mitigate climate change continues as we incorporate sustainability action and policies into our daily operations and strategic priorities, to create positive impact across our customers, communities and environment.

### PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

### **CREDIT INFORMATION RATING**

During the year, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term and short-term ratings, underpinned by our established domestic retail and SME franchises, robust asset quality and strong capitalisation. Moody's Investors Services Ltd has also reaffirmed the Bank's long-term rating at A3 and short-term rating at P2, with a stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	30 August 2023	Long-Term Rating: AAA
		Short-Term Rating: P1
		Subordinated Notes: AA1
		Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	25 August 2023	Long-Term Rating: A3
		Short-Term Rating: P2

### **FINANCIAL RESULTS**

	The Group RM'000	The Bank RM'000
Profit before taxation	4,626,631	2,728,859
Taxation	(808,435)	(651,823)
Net profit for the financial year	3,818,196	2,077,036

### **Directors' Report**

for the financial year ended 30 June 2023

### DIVIDENDS

Since the last financial year ended 30 June 2022, a final single tier dividend of 37.0 sen per share amounting to RM757,931,779 in respect of the financial year ended 30 June 2022, was paid on 17 November 2022.

An interim single tier dividend for the financial year ended 30 June 2023 of 21.0 sen per share amounting to RM430,294,305 was paid on 28 March 2023.

The Directors have declared a final single tier dividend of 38.0 sen per share in respect of the financial year ended 30 June 2023. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2024.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53 to the financial statements.

### SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 54 to the financial statements.

### **ISSUE OF SHARES AND DEBENTURES**

There were no new ordinary shares or debentures issued during the financial year.

### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.



### DIRECTORS

The Directors of the Bank who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director)
Ms Lau Souk Huan	(Independent Non-Executive Director)
Ms Cheong Soo Ching	(Independent Non-Executive Director)
Puan Fa'izah binti Mohamed Amin (Appointed with effect from 1 September 2022)	(Independent Non-Executive Director)
YBhg Datuk Manharlal A/L Ratilal (Appointed with effect from 15 September 2023)	(Independent Non-Executive Director)
Ms Chok Kwee Bee (Retired with effect from 1 December 2022)	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Retired with effect from 21 June 2023)	(Independent Non-Executive Director)

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

Encik Alan Hamzah Sendut Puan Rowina Ghazali Seth Mr Tang Hong Cheong Mr Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh Ms Han Chin May Mr Quek Kon Sean Mr Quek Kon Sean Mr Matthew Nicholas Rendall Mr Tan Khee Meng Mr Lawrence Peh Yeow Beng Mr John Hing Vong Mr Duong Duc Hung Ms Stella Lo Sze Man Ms Chan Lap Yuen Mr Domenico Fuda (Retired with effect from 30 June 2023)

### **Directors' Report**

for the financial year ended 30 June 2023

### **DIRECTORS' REMUNERATION**

The remuneration in aggregate for Directors of the Bank and its subsidiaries for the financial year are as follows:

	The Group RM'000	The Bank RM'000
Directors of the Bank		
Director fees	1,581	1,388
Directors' other emoluments	212	180
Directors of the Bank's Subsidiaries		
Director fees	910	-
Directors' other emoluments	3,088	-

There was no amount paid to or receivable by any third party for services provided by Directors of the Bank and its subsidiaries.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the holding company was RM71,250 (2022: RM84,550) and the apportioned amount of the said premium paid by the Group and the Bank was RM60,561 (2022: RM70,405) and RM51,376 (2022: RM58,435) respectively.

Details of Directors' remuneration are set out in Note 40 to the financial statements.



### **DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

	Directors' direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/ nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****/ordinary shares to be received arising from vesting of share grant****						
	As at 01.07.2022	Acquired	Sold	As at 30.06.2023			
Interests of YBhg Tan Sri Quek Leng Chan in:	01.07.2022	Acquired		50.00.2025			
Hong Leong Company (Malaysia) Berhad	390,000	-	-	390,000			
Hong Leong Financial Group Berhad	5,438,664	-	-	5,438,664			
Interests of Mr Tan Kong Khoon in:							
Hong Leong Financial Group Berhad	250,245*****	-	(125,123) <sup>*****(5)</sup>	125,122*****			
	125,123	125,123(5)	-	250,246			
Interests of Mr Kwek Leng Hai in:							
Hong Leong Company (Malaysia) Berhad	420,500	-	-	420,500			
Hong Leong Industries Berhad	190,000	-	-	190,000			
Hong Leong Financial Group Berhad	2,526,000	-	-	2,526,000			
Hong Leong Bank Berhad	5,510,000	-	-	5,510,000			
Hume Cement Industries Berhad	205,200	-	-	205,200			
	73,900(6)	-	-	73,900 <sup>(6)</sup>			
Malaysian Pacific Industries Berhad	71,250	-	-	71,250			

Directors' Report

for the financial year ended 30 June 2023

### **DIRECTORS' INTERESTS (CONTINUED)**

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****/ordinary shares to be received arising from vesting of share grant****							
	As at 01.07.2022	Acquired	Sold	As at 30.06.2023				
Interacts of VDbs Tap Cri Quely Long Chap in	0110712-022	Acquiree	5013					
Interests of YBhg Tan Sri Quek Leng Chan in: Hong Leong Company (Malaysia) Berhad	7,651,455 <sup>(1)</sup>		_	7,651,455 <sup>(1)</sup>				
Hong Leong Financial Group Berhad	894,714,726 <sup>(1)</sup>		_	894,714,726 <sup>(1)</sup>				
Hong Leong Capital Berhad	173,805,058	-	_	173,805,058				
Hong Leong Bank Berhad	1,346,027,209	-	_	1,346,027,209				
	800,000,000***	-	(400,000,000)***	400,000,000				
	1,500,000,000****	100,000,000****	(500,000,000)****	1,100,000,000				
Hong Leong MSIG Takaful Berhad	130,000,000	-	-	130,000,000				
Hong Leong Assurance Berhad	140,000,000	-	-	140,000,000				
Hong Leong Islamic Bank Berhad	400,000,000***	400,000,000***	(400,000,000)***	400,000,000***				
	400,000,000****	-	-	400,000,000****				
Hong Leong Industries Berhad	242,700,470(1)	21,000	-	242,721,470(1)				
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872				
Malaysian Pacific Industries Berhad	116,205,192	-	(16,667)	116,188,525				
Carter Resources Sdn Bhd	5,640,607	-	-	5,640,607				
Carsem (M) Sdn Bhd	84,000,000	-	-	84,000,000				
	22,400 <sup>(2)</sup>	-	-	22,400 <sup>(2)</sup>				
Hume Cement Industries Berhad	353,486,658 <sup>(1)</sup>	8,040,000(3)	(9,965,000)	352,701,658 <sup>(1)</sup>				
		1,140,000 <sup>(1)(4)</sup>	-	552,701,0580				
	197,043,175 <sup>**(1)</sup>	-	(4,020,000)**	193,023,175 <sup>**(1)</sup>				
	1,140,000 <sup>*(1)</sup>	-	$(1,140,000)^{*(1)(4)}$	-				
Southern Steel Berhad	417,246,046	-	-	417,246,046				
Southern Pipe Industry (Malaysia) Sdn Bhd	124,964,153	560,320	-	125,524,473				

Notes:

<sup>(1)</sup> Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member

(2) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

<sup>(3)</sup> Inclusive of new ordinary shares acquired arising from the conversion of redeemable convertible unsecured loan stocks

(4) Exercise of share options

<sup>(5)</sup> Vesting of grant shares

<sup>(6)</sup> 5-Year 5% Redeemable Convertible Unsecured Loan Stocks



### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Scheme.

### **RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS**

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2023 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2023.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

### **Directors' Report**

for the financial year ended 30 June 2023

### **EXECUTIVE SHARE SCHEME**

The Bank has concurrently implemented two (2) Executive Share Schemes during the financial year ended 30 June 2023.

### (a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013 ("ESGS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

### (i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

### (ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and had expired on 11 March 2023.

At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

### (i) Status on ESOS 2013

There were no share options granted under the ESOS 2013 of the Bank during the financial year ended 30 June 2023.

As at the expiry date of 11 March 2023, a total of 61,082,657 share options had been granted under the ESOS 2013, out of which 837,504 share options had been exercised, with no share options remain outstanding. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS 2013 amounted to 19,326,399, none of which were exercised and remain outstanding.

Since the commencement of the ESOS 2013, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the Schemes Aggregate Maximum Allocation.

As at 11 March 2023, the actual percentage of total share options granted to Directors and senior management of the HLB Group under the ESOS 2013 was 2.37% of the total number of issued shares (excluding treasury shares) of the Bank.

### (ii) Status on ESGS 2013

There were no grants granted under the ESGS 2013 of the Bank during the financial year ended 30 June 2023.

As at the expiry date of 11 March 2023, a total of 3,058,503 grants had been granted under the ESGS 2013, out of which 2,603,865 grants had been vested, with 430,786 grants remain outstanding. The aggregate grants granted to Directors and chief executives of the HLB Group under the ESGS 2013 amounted to 2,066,828, out of which 1,882,534 grants had been vested, with 184,294 grants remain outstanding.

### **EXECUTIVE SHARE SCHEME (CONTINUED)**

### (a) Executive Share Scheme 2013 ("ESS 2013") (continued)

### (ii) Status on ESGS 2013 (continued)

The remaining 430,786 grants granted under the ESGS 2013, including the 184,294 grants granted to Directors and chief executives of the HLB Group, were transferred to the Executive Share Scheme 2022 of the Bank ("ESS 2022") upon expiry of the ESGS 2013 on 11 March 2023 and would be administered and vested to the eligible executives under the ESGS 2022.

Since the commencement of the ESGS 2013, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the Schemes Aggregate Maximum Allocation.

As at 30 June 2023, the actual percentage of total grants granted to Directors and senior management of the HLB Group under the ESGS 2013 was 0.13% of the total number of issued shares (excluding treasury shares) of the Bank.

### (b) Executive Share Scheme 2022 ("ESS 2022")

The Bank had on 10 March 2022 established the ESS 2022, which comprises a new executive share option scheme ("ESOS 2022") and a new executive share grant scheme ("ESGS 2022") for the eligible executives and/or directors of HLB and its subsidiaries (Group) (such executive and directors, "Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of HLB.

The ESS 2022 will enable the Bank to align the long-term interests of Eligible Executives with those of the shareholders of the Bank, as well as to motivate and reward them.

### (i) Status on ESOS 2022

There were no share options granted under the ESOS 2022 of the Bank during the financial year ended 30 June 2023 and since the commencement of the ESOS 2022.

### (ii) Status on ESGS 2022

The Bank had granted 248,552 grants under the ESS 2022 of the Bank during the financial year ended 30 June 2023.

As at 30 June 2023, a total of 501,968 grants had been granted under the ESS 2022, out of which 125,445 grants had been vested, with 373,997 grants remain outstanding. The aggregate grants granted to Directors and chief executives of the HLB Group under the ESS 2022 amounted to 235,384, out of which 55,888 grants had been vested, with 179,496 grants remain outstanding.

In addition, 430,786 grants granted under the ESGS 2013, including 184,294 grants granted to Directors and chief executives of the HLB Group, were transferred to the ESGS 2022 upon expiry of the ESGS 2013 on 11 March 2023 and would be administered and vested to the eligible executives under the ESGS 2022.

As at 30 June 2023, the actual percentage of total grants granted to the Directors and senior management of HLB Group under the ESS 2022 was 0.02% of the total number of issued shares (excluding treasury shares) of the Bank and the actual percentage granted to the Directors and senior management of the HLB Group during the financial year ended 30 June 2023 was 0.01% of the issued shares (excluding treasury shares) of the Bank.

### **Directors' Report**

for the financial year ended 30 June 2023

### **EXECUTIVE SHARE SCHEME (CONTINUED)**

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESS, refer to Note 55 to the financial statements on Equity Compensation Benefits.

### STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

### (I) As at the end of the financial year

- (a) Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
  - (i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and
  - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.
- (b) In the opinion of the Directors:
  - (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2023 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

### STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (CONTINUED)

### (III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading.

### **DISCLOSURE OF SHARIAH COMMITTEE**

The Group's Islamic banking activity is subject to compliance with Shariah governance guided by the Shariah Committee consisting of 5 members, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and approved by BNM.

The primary role of the Shariah Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

### HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

#### **SUBSIDIARIES**

Details of subsidiaries are set out in Note 13 to the financial statements.

### **AUDITORS' REMUNERATION**

Auditors' remuneration of the Group and the Bank are RM4,819,000 (2022: RM3,750,000) and RM3,970,000 (2022: RM3,227,000) respectively. Details of auditors' remuneration are set out in Note 36 to the financial statements.

### **AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 19 September 2023. Signed on behalf of the Board of Directors:

Tan Kong Khoon

#### Lau Souk Huan

Kuala Lumpur 19 September 2023

# Statements of Financial Position

as at 30 June 2023

		The O	Group	The	Bank
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM′000	RM'000
Assets					
Cash and short-term funds	3	8,206,803	6,094,729	6,362,228	5,455,788
Deposits and placements with banks and other financial institutions	4	436,877	842,506	1,343,553	2,614,335
Financial assets at fair value through profit or loss	5	5,654,937	7,244,482	4,916,952	6,940,762
Financial investments at fair value through other comprehensive income	6	33,886,670	26,196,303	30,109,200	22,416,521
Financial investments at amortised cost	7	31,194,065	32,358,414	22,201,564	23,144,545
Loans, advances and financing	8	179,902,847	166,487,621	135,092,761	126,745,536
Other assets	9	2,454,415	2,280,742	2,398,503	1,781,555
Derivative financial instruments	10	2,168,424	1,863,300	2,071,669	1,776,371
Amount due from subsidiaries	11	-	-	143,862	91,110
Statutory deposits with Central Banks	12	3,396,920	520,650	2,509,021	272,138
Subsidiary companies	13	-	-	2,655,317	2,625,696
Investment in associated companies	14	8,712,976	6,455,474	2,087,699	971,182
Property and equipment	15	1,055,391	1,110,606	488,040	527,989
Intangible assets	16	362,435	304,749	326,216	269,645
Right-of-use assets	17	175,946	211,718	261,308	321,446
Goodwill	18	1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets	19	410,436	528,771	317,985	403,666
Total assets		279,850,454	254,331,377	215,057,425	198,129,832
Liabilities					
Deposits from customers	20	211,651,819	197 292 //59	162,732,948	155,007,304
Investment accounts of customers	21	2,250,513	2,668,408		
Deposits and placements of banks and other financial institutions	22	9,593,826	6,322,250	8,269,491	5,175,420
Obligations on securities sold under repurchase agreements		7,399,583	3,971,304	7,399,583	3,971,304
Bills and acceptances payable		211,431	241,361	155,202	153,419
Lease liabilities	23	178,928	210,981	269,713	325,365
Other liabilities	24	5,946,050	5,750,350	5,566,750	5,392,859
Derivative financial instruments	10	2,387,886	1,736,838	2,301,936	1,711,745
Recourse obligation on loans/financing sold to Cagamas Berhad		,,	, - ,		, , -
("Cagamas")	25	2,972,220	1,623,937	1,514,646	502,798
Tier 2 subordinated bonds	26	1,501,750	1,502,206	1,501,750	1,502,206
Multi-currency Additional Tier 1 capital securities	27	1,719,509	1,715,695	1,719,509	1,715,695
Provision for taxation		50,287	306,612	39,545	272,986
Total liabilities		245,863,802	223,342,401	191,471,073	175,731,101
Fouity					
Equity	<b>२</b> ०	7 720 042	7 720 042	7 730 042	7 720 042
Share capital	28	7,739,063	7,739,063	7,739,063	7,739,063 15,373,358
-	20	76 956 255	12 46 2 611 2		
Reserves	29 30	26,956,355	23,963,603	16,556,055	
Reserves Less: Treasury shares	29 30	(708,766)	(713,690)	(708,766)	(713,690)
Share capital Reserves Less: Treasury shares Total equity Total equity and liabilities	30	(708,766) 33,986,652	(713,690) 30,988,976	(708,766) 23,586,352	(713,690) 22,398,731
Reserves Less: Treasury shares	30	(708,766)	(713,690)	(708,766)	(713,690)

The accompanying notes form an integral part of the financial statements

# Statements of Income

		The G	roup	The Bank		
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	
Interest income	31a	7,370,454	5,505,696	7,115,026	5,303,193	
Interest income for financial assets at fair value through						
profit or loss	31b	160,370	217,168	160,370	217,168	
Interest expense	32	(3,846,739)	(1,967,533)	(3,727,577)	(1,893,157)	
Net interest income		3,684,085	3,755,331	3,547,819	3,627,204	
Income from Islamic Banking business	33	963,368	904,785	-	-	
		4,647,453	4,660,116	3,547,819	3,627,204	
Non-interest income	35	1,038,056	937,292	1,020,599	1,278,446	
Net income		5,685,509	5,597,408	4,568,418	4,905,650	
Overhead expenses	36	(2,233,282)	(2,098,376)	(1,854,063)	(1,756,729)	
Operating profit before allowances		3,452,227	3,499,032	2,714,355	3,148,921	
(Allowance for)/written back of impairment losses on loans, advances and financing	37	(115,382)	(163,574)	11,536	46,956	
Written back of impairment losses on financial investmen						
and other assets	38	306	851	2,968	391	
		3,337,151	3,336,309	2,728,859	3,196,268	
Share of results of associated companies	14	1,289,480	1,030,491	-	-	
Profit before taxation		4,626,631	4,366,800	2,728,859	3,196,268	
Taxation	41	(808,435)	(1,077,517)	(651,823)	(984,341)	
Net profit for the financial year		3,818,196	3,289,283	2,077,036	2,211,927	
Attributable to:						
Owners of the parent		3,818,196	3,289,283	2,077,036	2,211,927	
Earnings per share for profit attributable to owners of the parent (sen):						
- basic	42	186.4	160.6	101.4	108.0	
- diluted	42	186.3	160.5	101.3	107.9	

# Statements of Comprehensive Income

			The Gr	oup	The B	ank
		Note	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Net profit for the financial year			3,818,196	3,289,283	2,077,036	2,211,927
Other comprehensive income/(I	oss) in respect of:					
(i) Item that will not be reclass	ified to profit or loss:					
Equity instruments at fair va comprehensive income	lue through other					
- Net fair value changes			14,264	14,286	14,264	14,286
<li>(ii) Items that may be reclassified or loss:</li>	ed subsequently to profi	t				
(a) Share of other compre associated company			(15,045)	(16,743)		-
(b) Currency translation di	fferences		62,380	227,635	105,538	43,324
(c) Debt instruments at fa comprehensive inco	5					
- Net fair value chang	es	43	406,406	(1,161,549)	257,468	(1,010,494
- Changes in expected	d credit losses	43	285	(537)	283	(542)
(d) Net fair value changes	in cash flow hedge	43	362	7,574	362	7,574
Income tax relating to component:	s of other					
comprehensive (income)/loss		43	(88,321)	252,023	(66,479)	215,860
Other comprehensive income/(los net of tax	s) for the financial year,		380,331	(677,311)	311,436	(729,992)
Total comprehensive income for	the financial year		4,198,527	2,611,972	2,388,472	1,481,935
Attributable to:						
Attributable to: Owners of the parent			4,198,527	2,611,972	2,388,472	1,481,935

for the financial year ended 30 June 2023

		Attributable to owners of the parent								
The Group	Note	Share capital RM′000	Treasury shares* RM′000	Regulatory reserves ^ RM'000	Other reserves RM'000	Retained profits RM′000	Total RM'000			
At 1 July 2022		7,739,063	(713,690)	654,386	581,235	22,727,982	30,988,976			
Comprehensive income										
Net profit for the financial year		-	-	-	-	3,818,196	3,818,196			
Share of other comprehensive loss of associated company		-	-	-	(15,045)	-	(15,045)			
Financial assets measured at fair value through other comprehensive income										
- Equity instruments										
- Net fair value changes		-	-	-	14,264	-	14,264			
- Debt instruments	43									
- Net fair value changes		-	-	-	318,173	-	318,173			
- Changes in expected credit losses		-	-	-	285	-	285			
Net fair value changes in cash flow										
hedge	43	-	-	-	274	-	274			
Currency translation differences		-	-	-	62,380	-	62,380			
Total comprehensive income		-	-	-	380,331	3,818,196	4,198,527			
Transactions with owners										
Transfer to regulatory reserve		-	-	347,675	-	(347,675)	-			
Dividends paid:				·						
- final dividend for the financial										
year ended 30 June 2022	44	-	-	-	-	(757,932)	(757,932)			
- interim dividend for the financial										
year ended 30 June 2023	44	-	-	-	-	(430,294)	(430,294)			
ESS exercised		-	4,924	-	(12,350)	7,426	-			
Option written back arising from ESS										
lapsed		-	-	-	(12,625)	-	(12,625)			
Total transactions with owners		-	4,924	347,675	(24,975)	(1,528,475)	(1,200,851)			
At 30 June 2023		7,739,063	(708,766)	1,002,061	936,591	25,017,703	33,986,652			

\* Treasury shares consist of two categories which are detailed in Note 30

Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM990,816,000 (2022: RM643,141,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (2022: RM11,245,000)

for the financial year ended 30 June 2023

			Attri	butable to ow	ners of the p	arent	
The Group	Note	Share capital RM′000	Treasury shares* RM'000	Regulatory reserves^ RM′000	Other reserves RM′000	Retained profits RM'000	Total RM'000
At 1 July 2021		7,739,063	(719,030)	423,954	1,263,751	20,751,376	29,459,114
Comprehensive income							
Net profit for the financial year		-	-	-	-	3,289,283	3,289,283
Share of other comprehensive loss of associated company		-	-	-	(16,743)	-	(16,743)
<ul><li>Financial assets measured at fair value through other comprehensive income</li><li>Equity instruments</li></ul>							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(907,709)	-	(907,709)
- Changes in expected credit losses		-	-	-	(537)	-	(537)
Net fair value changes in cash flow hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	227,635	-	227,635
Total comprehensive (loss)/income		-	-	-	(677,311)	3,289,283	2,611,972
Transactions with owners							
Transfer to regulatory reserve		-	-	230,432	-	(230,432)	-
Dividends paid:							
<ul> <li>final dividend for the financial year ended 30 June 2021</li> </ul>	44	-	-	-	-	(721,238)	(721,238)
<ul> <li>interim dividend for the financial year ended 30 June 2022</li> </ul>	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners			5,340	230,432	(5,205)	(1,312,677)	(1,082,110)
		7,739,063	(713,690)	654,386	581,235	22,727,982	30,988,976

\* Treasury shares consist of two categories which are detailed in Note 30

Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM643,141,000 (2021: RM412,709,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (2021: RM11,245,000)

for the financial year ended 30 June 2023

			Non-dist	ributable		Distributable	
The Bank	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserve RM'000	Other reserves RM'000	Retained profits RM′000	Total equity RM'000
At 1 July 2022		7,739,063	(713,690)	536,432	(283,556)	15,120,482	22,398,731
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,077,036	2,077,036
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,264	-	14,264
- Debt instruments	43						
- Net fair value changes		-	-	-	191,077	-	191,077
- Changes in expected credit losses		-	-	-	283	-	283
Net fair value changes in cash flow							
hedge	43	-	-	-	274	-	274
Currency translation differences		-	-	-	105,538	-	105,538
Total comprehensive income		-	-	-	311,436	2,077,036	2,388,472
Transactions with owners							
Transfer to regulatory reserve		-	-	288,886	-	(288,886)	-
Dividends paid:							
- final dividend for the financial							
year ended 30 June 2022	44	-	-	-	-	(757,932)	(757,932)
- interim dividend for the financial							
year ended 30 June 2023	44	-	-	-	-	(430,294)	(430,294)
ESS exercised		-	4,924	-	(12,350)	7,426	-
Option written back arising from ESS lapsed		-	-	-	(12,625)	-	(12,625)
Total transactions with owners		-	4,924	288,886	(24,975)	(1,469,686)	(1,200,851)
At 30 June 2023		7,739,063	(708,766)	825,318	2,905	15,727,832	23,586,352

 $^{*}$  Treasury shares consist of two categories which are detailed in Note 30

for the financial year ended 30 June 2023

			Non-dist	ributable		Distributable	
The Bank	Note	Share capital RM′000	Treasury shares* RM'000	Regulatory reserve RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM′000
At 1 July 2021		7,739,063	(719,030)	387,677	451,641	14,139,555	21,998,906
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,211,927	2,211,927
Financial assets measured at fair value through other comprehensive income - Equity instruments							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(792,817)	-	(792,817)
- Changes in expected credit losses		-	-	-	(542)	-	(542)
Net fair value changes in cash flow							
hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	43,324	-	43,324
Total comprehensive (loss)/income		-	-	-	(729,992)	2,211,927	1,481,935
Transactions with owners							
Transfer to regulatory reserve		-	-	148,755	-	(148,755)	-
Dividends paid:							
- final dividend for the financial							
year ended 30 June 2021	44	-	-	-	-	(721,238)	(721,238)
- interim dividend for the financial							
year ended 30 June 2022	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners		-	5,340	148,755	(5,205)	(1,231,000)	(1,082,110)
At 30 June 2022		7,739,063	(713,690)	536,432	(283,556)	15,120,482	22,398,731

\* Treasury shares consist of two categories which are detailed in Note 30

	The Gr	oup	The Ba	nk
	2023	2022	2023	2022
	RM′000	RM′000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	4,626,631	4,366,800	2,728,859	3,196,268
Adjustments for:				
Depreciation of property and equipment	110,039	121,499	92,850	103,137
Depreciation of right-of-use assets	48,456	50,119	71,556	73,875
Amortisation of intangible assets	58,132	53,962	50,869	48,107
Net gain on disposal of property and equipment	(228)	(1,552)	(133)	(1,455)
Share of results of associated companies	(1,289,480)	(1,030,491)	-	-
Property and equipment written off	1,134	722	727	629
Intangible assets written off	2,607	737	2,606	416
Amortisation of upfront fees	(1,228)	(946)	(1,228)	(946)
Net realised (gain)/loss on financial instruments:				
- financial assets at fair value through profit or loss	(85,177)	58,657	(86,447)	59,239
- derivatives financial instruments	53,230	(20,792)	55,103	(19,328
<ul> <li>financial investments at fair value through other comprehensive income</li> </ul>	(34,943)	(87,887)	(34,943)	(87,887)
Allowance for impairment losses on loans, advances and financing	343,095	393,506	176,517	151,453
Impaired loans, advances and financing written off	29,519	20,038	22,962	13,893
Modification loss on contractual cash flows arising from financial assets	-	45,416	-	27,472
Net unrealised loss/(gain) on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	5,403	(208,290)	6,631	(207,569)
- derivatives financial instruments	(111,379)	(100,366)	(112,433)	(99,238
Net realised (gain)/loss on fair value changes arising from fair value hedges	(8,265)	7,489	(8,265)	7,489
Net (gain)/loss arising from fair value hedges	(853)	2,141	(853)	2,141
Written back of impairment losses on financial investments and other assets	(306)	(851)	(2,968)	(391
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	77,409	44,702	29,263	15,450
- Tier 2 subordinated bonds	66,958	66,600	66,958	66,600
- Multi-currency Additional Tier 1 capital securities	81,186	46,315	81,255	46,481
- Lease liabilities	8,737	9,154	13,251	14,785

	The G	roup	The B	ank
	2023 RM'000	2022 RM′000	2023 RM'000	2022 RM'000
Interest income from:				
- financial investments at fair value through other				
comprehensive income	(871,880)	(669,165)	(871,573)	(672,355)
- financial investments at amortised cost	(669,395)	(619,506)	(668,660)	(618,725)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	-	-	(2,219)	(56)
Dividend income from:				
- subsidiary company	-	-	(330)	(36,800)
- associated companies	-	-	(5,992)	(334,115)
- financial assets at fair value through profit or loss	(88,826)	(101,001)	(89,277)	(102,768)
- financial investments at fair value through other				
comprehensive income	(2,175)	(406)	(2,175)	(406)
Share option expenses	(12,625)	6,916	(12,625)	6,916
Operating profit before working capital changes	2,335,776	2,453,520	1,499,286	1,652,312
Decrease/(Increase) in operating assets				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of				
more than three months	237,426	(477,104)	534,285	(1,042,650)
Financial assets at fair value through profit or loss	1,694,133	1,068,766	2,103,626	1,248,789
Loans, advances and financing	(13,789,491)	(12,898,199)	(8,548,355)	(7,874,985)
Derivative financial instruments	(547,176)	(1,084,504)	(500,604)	(1,003,736)
Other assets	(168,814)	2,018	(612,089)	94,046
Amount due from subsidiaries	-	-	(52,752)	(75,240)
Statutory deposits with Central Banks	(2,876,270)	(27,045)	(2,236,883)	29,290
Increase/(Decrease) in operating liabilities				
Deposits from customers	14,667,682	14,362,994	7,996,401	10,992,100
Investment accounts of customers	(417,895)	1,523,254	-	-
Deposits and placements of banks and other financial institutions	3,271,576	(5,807,789)	3,094,071	(6,839,877)
Securities sold under repurchase agreements	3,428,279	3,228,554	3,428,279	3,228,554
Bills and acceptances payable	(29,930)	51,719	1,783	2,986
Derivative financial instruments	651,354	827,172	590,497	831,759
Other liabilities	195,922	373,781	172,826	308,347
Cash flows generated from operations	8,652,572	3,597,137	7,470,371	1,551,695
Taxation paid	(1,030,371)	(1,095,221)	(859,773)	(896,290)
Net cash generated from operating activities	7,622,201	2,501,916	6,610,598	655,405

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### Statements of Cash Flows

	The G	roup	The B	ank
	2023 RM′000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities				
Net (purchases of)/proceeds from financial investments at fair value through other comprehensive income	(7,479,290)	7,863,800	(7,630,850)	7,812,472
Net proceeds from/(purchases of) financial investments at amortised cost	1,833,797	(8,104,000)	1,611,641	(5,967,070)
Purchase of property and equipment	(132,069)	(115,678)	(129,203)	(109,898)
Net proceeds from sale of property and equipment	377	1,890	161	1,772
Purchase of intangible assets	(37,156)	(35,442)	(30,773)	(27,177)
Investment in subordinated facilities	-	-	(27,402)	(69,112)
Dividends received from:				
- subsidiary company	-	-	330	36,800
- associated company	-	-	-	268,591
- financial assets at fair value through profit or loss	88,826	101,001	89,277	102,768
<ul> <li>financial investments at fair value through other</li> </ul>				
comprehensive income	2,175	406	2,175	406
Net cash (used in)/generated from investing activities	(5,723,340)	(288,023)	(6,114,644)	2,049,552

	The Gr	oup	The B	ank	
	2023	2022	2023	2022	
Note	RM'000	RM'000	RM'000	RM'000	
Cash flows from financing activities					
Dividends paid	(1,188,226)	(1,089,942)	(1,188,226)	(1,089,942)	
Cash received from ESOS exercised	-	916	-	916	
Repayment of Innovative Tier 1 capital securities	(400,000)	-	(400,000)	-	
Repayment of Tier 2 subordinated loan	(500,000)	-	(500,000)	-	
Repayment of lease liabilities	(44,402)	(44,321)	(66,236)	(65,272)	
Repayment of recourse obligation on loans/financing sold to Cagamas	(962,930)	(64,174)	(300,020)	-	
Proceeds from debt issuance:					
- Recourse obligation on loans/financing sold to Cagamas	2,300,000	650,000	1,300,000	200,000	
- Tier 2 subordinated bonds	500,000	-	500,000	-	
- Multi-currency Additional Tier 1 capital securities	400,000	900,000	400,000	900,000	
Interest paid:		(40,420)	(17.205)	(12 22 4)	
- Recourse obligation on loans/financing sold to Cagamas	(66,196)	(40,430)	(17,395)	(13,224)	
- Tier 2 subordinated bonds	(66,533)	(66,734)	(66,533)	(66,734)	
- Multi-currency Additional Tier 1 capital securities	(78,858)	(39,346)	(78,927)	(39,512)	
- Lease liabilities	(8,737)	(9,154)	(13,251)	(14,785)	
Net cash (used in)/generated from financing activities	(115,882)	196,815	(430,588)	(188,553)	
Net increase in cash and cash equivalents	1,782,979	2,410,708	65,366	2,516,404	
Effects of exchange rate changes	160,892	96,466	104,577	42,044	
Cash and cash equivalents at the beginning of					
financial year	5,981,992	3,474,818	6,119,034	3,560,586	
Cash and cash equivalents at the end of financial year	7,925,863	5,981,992	6,288,977	6,119,034	
Cash and cash equivalents comprise the following: Cash and short-term funds 3	0.204.002	6 00 4 7 20	( ) ( ) ) ) )		
	8,206,803	6,094,729	6,362,228	5,455,788	
Deposits and placements with banks and other financial institutions 4	436,877	842,506	1,343,553	2,614,335	
	8,643,680	6,937,235	7,705,781	8,070,123	
Less:	0,043,000	5,75,1255	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	5,010,123	
Cash and short-term funds and deposits and placements					
with banks and other financial institutions with original					
maturity of more than three months	(717,817)	(955,243)	(1,416,804)	(1,951,089)	
	7,925,863	5,981,992	6,288,977	6,119,034	

for the financial year ended 30 June 2023

An analysis of changes in liabilities arising from financing activities is as follows:

The Group	Recourse obligation on loans/ financing sold to Cagamas RM′000	Tier 2 subordinated bonds RM'000	Multi- currency Additional Tier 1 capital securities RM′000	Lease liabilities RM′000	Total RM'000
2023					
Balance at the beginning of the financial year	1,623,937	1,502,206	1,715,695	210,981	5,052,819
Proceeds from issuance	2,300,000	500,000	400,000	-	3,200,000
Repayment and redemption	(962,930)	(500,000)	(400,000)	(44,402)	(1,907,332)
Interest paid	(66,196)	(66,533)	(78,858)	(8,737)	(220,324)
Accrued interest	77,409	66,958	81,186	8,737	234,290
Amortisation	-	(881)	(347)	-	(1,228)
Other non-cash	-	-	1,833	12,349	14,182
Balance at the end of the financial year	2,972,220	1,501,750	1,719,509	178,928	6,372,407
2022					
Balance at the beginning of the financial year	1,033,839	1,502,340	806,390	209,761	3,552,330
Proceeds from issuance	650,000	-	900,000	-	1,550,000
Repayment and redemption	(64,174)	-	-	(44,321)	(108,495)
Interest paid	(40,430)	(66,734)	(39,346)	(9,154)	(155,664)
Accrued interest	44,702	66,600	46,315	9,154	166,771
Amortisation	-	-	(946)	-	(946)
Other non-cash	-	-	3,282	45,541	48,823
Balance at the end of the financial year	1,623,937	1,502,206	1,715,695	210,981	5,052,819

for the financial year ended 30 June 2023

An analysis of changes in liabilities arising from financing activities is as follows: (continued)

The Bank	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi- currency Additional Tier 1 capital securities RM'000	Lease liabilities RM′000	Total RM'000
2023					
Balance at the beginning of the financial year	502,798	1,502,206	1,715,695	325,365	4,046,064
Proceeds from issuance	1,300,000	500,000	400,000	-	2,200,000
Repayment and redemption	(300,020)	(500,000)	(400,000)	(66,236)	(1,266,256)
Interest paid	(17,395)	(66,533)	(78,927)	(13,251)	(176,106)
Accrued interest	29,263	66,958	81,255	13,251	190,727
Amortisation	-	(881)	(347)	-	(1,228)
Other non-cash	-	-	1,833	10,584	12,417
Balance at the end of the financial year	1,514,646	1,501,750	1,719,509	269,713	5,005,618
2022					
Balance at the beginning of the financial year	300,572	1,502,340	806,390	341,591	2,950,893
Proceeds from issuance	200,000	-	900,000	-	1,100,000
Repayment and redemption	-	-	-	(65,272)	(65,272)
Interest paid	(13,224)	(66,734)	(39,512)	(14,785)	(134,255)
Accrued interest	15,450	66,600	46,481	14,785	143,316
Amortisation	-	-	(946)	-	(946)
Other non-cash	-	-	3,282	49,046	52,328
Balance at the end of the financial year	502,798	1,502,206	1,715,695	325,365	4,046,064

for the financial year ended 30 June 2023

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

### **1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments).

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 57.

# A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 July 2022:

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

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the '10% test').

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in the income statements.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

for the financial year ended 30 June 2023

### **1** BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

# A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank (continued)

(ii) Amendments to MFRS 3 'Business Combinations' - Reference to the Conceptual Framework

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 116 'Proceeds before Intended Use'

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in statements of income.

The amendments also clarify that 'testing' in MFRS 116 refers to assessing the technical and physical performance of the PPE rather than its financial performance.

The amendments shall be applied retrospectively.

(iv) Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

The adoption of the annual improvements and amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

# B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective

- (i) Financial year beginning on/after 1 July 2023
  - \* Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates effective 1 January 2023

for the financial year ended 30 June 2023

### **1** BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

# B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

(i) Financial year beginning on/after 1 July 2023 (continued)

### Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

### Amendments on definition of accounting estimates (Amendments to MFRS 108)

The amendments to MFRS 108, redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

\* Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

- (ii) Financial year beginning on/after 1 July 2024
  - \* Amendments to MFRS 101 'Classification of liabilities as current or non-current' ('2020 amendments') and 'Non-current Liabilities with Covenants' ('2022 amendments') effective 1 January 2024

There are two amendments to MFRS 101 'Presentation of Financial Statements'. The 2020 amendments clarify that a liability is classified as non-current if an entity has the right to defer settlement for at least 12 months after the reporting period. Such a right exists when an entity complies with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within 12 months after that date.

for the financial year ended 30 June 2023

#### **1** BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

# B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2024 (continued)

The 2022 amendments were in response to concerns raised on applying the 2020 amendments explained in the preceding paragraph on the current vs non-current classification of liabilities with covenants that would have become effective for annual periods beginning on or after 2023. The 2022 amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current is only assessed after the reporting date.

Both amendments are effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 amendments is permitted but only if the 2020 amendments are also applied from the same date.

\* Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' – effective 1 January 2024

The amendments specify that the measurement of the lease liability arises in a sale and leaseback transaction which satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A Consolidation

### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

The Group applies the acquisition method to account for business combinations.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

### (i) Subsidiaries (continued)

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of income.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses from such remeasurement are recognised in the statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

for the financial year ended 30 June 2023

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

### (iii) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statements of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

Gains and losses of the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

### (IV) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint venture' in the statements of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

### (IV) Joint arrangements (continued)

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

### (V) Associated companies

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statements of income, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associated company' in the statements of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the statements of income.

### (VI) Loss of joint control or significant influence

When the Group ceases to equity account its joint venture or associate because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

### (VII) Investments in subsidiaries and associated companies

In the Bank's separate financial statements, investments in subsidiaries and associated companies are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amount of investments are recognised in the statements of income.

Investments in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note D.

### B Recognition of interest/profit income and interest/profit expense

Interest and financing income and expense for all interest/profit bearing financial instruments are recognised within interest income and interest expense and income from Islamic Banking business in the statements of income using the effective interest/profit method. Interest/profit income from financial assets at fair value through profit or loss is disclosed as separate line item in statements of income.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank take into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

Interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest/profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### C Recognition of fees and other income

The Group and the Bank earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group and the Bank have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

- \* Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on loans, advances and financing. These fees constitute a single performance obligation.
- \* For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C Recognition of fees and other income (continued)

The Group and the Bank do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

- a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.
- b) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

### D Financial assets

### (i) Classification

The Group and the Bank have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

### Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D Financial assets (continued)

### (i) Classification (continued)

### Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Bank commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statements of income.

### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Bank classify its debt instruments:

### (a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest/profit rate method. Any gain or loss arising on derecognition is recognised directly in statements of income as presented in net realised gain or loss on financial instruments. Impairment losses are presented as separate line item (as per Note 37 and Note 38) in the statements of income.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D Financial assets (continued)

### (iii) Measurement (continued)

### Debt instruments (continued)

### (b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest/profit rate method. Foreign exchange gains and losses are presented in other income and impairment losses are presented as separate line item (as per Note 38) in the statements of income.

### (c) Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group and the Bank may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. Fair value changes are recognised in statements of income and presented net within net unrealised gain or loss on revaluation in the period which it arises.

### **Equity instruments**

The Group and the Bank subsequently measure all equity investments at fair value through profit or loss, except where the management has elected, at initial recognition to irrevocably designate an equity instrument at fair value through other comprehensive income. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statements of income following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to statements of income, but is to be transferred to retained profits. Dividends from such investments continue to be recognised in statements of income as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity instruments designated as financial assets at fair value through profit or loss are recognised in net unrealised gain or loss on revaluation in the statements of income.

### (iv) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D Financial assets (continued)

### (iv) Reclassification policy (continued)

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

### E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value through profit or loss are initially recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income. Financial liabilities are de-recognised when extinguished.

### (i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 9 'Financial Instruments' as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities on different basis.

### (ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, financial liabilities are remeasured at amortised cost using the effective interest/profit rate.

Financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, lease liabilities, other financial liabilities, recourse obligation on loans/ financing sold to Cagamas, Tier 2 subordinated bonds and Multi-currency additional Tier 1 capital securities.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations	
and computer equipment	10% - 33%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in noninterest income.

Leased assets presented under Property and equipment and Prepaid lease payments are right-of-use assets within the scope of MFRS 16. See Note H for the accounting policies on right-of-use assets.

### G Intangible assets

### (i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

### (ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the statements of income.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G Intangible assets (continued)

### (ii) Goodwill (continued)

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### H Leases

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

### Lease term

In determining the lease term, the Group and the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank, and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

### **ROU** assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H Leases (continued)

### **Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest/profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Bank would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in the statements of income.

### Short term leases and leases of low value assets

The Group and the Bank elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of income.

### I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. The liabilities in relation to tax penalties or its associated interest are included within the taxation liability on the statements of financial position and charged to the tax expense in the statements of income as under provision of prior year tax.

Current income tax expense is determined according to the tax laws enacted or substantively enacted at the end of the reporting period of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences of unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liabilities is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax related to fair value remeasurement of financial instruments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K Derivative financial instruments and hedging

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 for fair value macro hedges on the adoption of MFRS 9 on 1 July 2018.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank have applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

- \* When considering the 'highly probable' requirement, the Group and the Bank have assumed that the IBOR interest rate on which the Group's and the Bank's hedged borrowings is based does not change as a result of IBOR reform.
- \* In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group and the Bank have assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.
- \* The Group and the Bank had recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K Derivative financial instruments and hedging (continued)

The Group and the Bank have applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

- \* Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
  - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - c) amending the description of the hedging instrument.

The Group and the Bank amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Bank to discontinue its hedge relationships.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements. Movements on the hedging reserve in shareholders' equity are shown in Note 29.

### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in statements of income within other operating income. The gain or loss relating to the ineffective portion is recognised in statements of income within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to statements of income, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in statements of income within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in statements of income with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K Derivative financial instruments and hedging (continued)

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or transferred, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statements of income.

### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

### L Currency translations

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

### (ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences such as equity held at fair value through profit or loss and assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L Currency translations (continued)

### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to statements of income. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to statements of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### M Employee benefits

### (i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M Employee benefits (continued)

### (ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the statements of income in the financial period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase to share options reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

In accordance with MFRS 132 'Financial Instruments: Presentation', the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Bank transfers the Treasury shares for ESOS scheme to the ESOS holder. The Treasury shares and share options reserve would be adjusted against the retained earnings.

When the options are exercised, the Bank may also issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

When options are not exercised and lapsed, the share options reserve is transferred to retained earnings.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets

The Group and the Bank assess on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

The Group and the Bank have adopted the general approach for ECL.

# Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach

ECL will be assessed using an approach which classified financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(a) Stage 1: 12-months ECL - not credit impaired

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

### Significant increase in credit risk

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and assessments based on the Group's and the Bank's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1 month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets (continued)

# Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

### Definition of default and credit-impaired financial assets

At each reporting period, the Group and the Bank assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

As part of the assessment of impairment of financial assets under ECL model, the default definition, which is largely align with regulatory reporting purposes, has been applied to three main components, which is a probability of default ("PD") model, a loss given default ("LGD") model and exposure at default ("EAD") model respectively.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Bank will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

### Measurement of ECL

ECL are measured using three main components, which include PD, LGD and EAD. These components are derived from internally developed statistical models and adjusted to reflect forward-looking information as set out below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest/profit rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

### Forward-looking information

The Group and the Bank have internally developed methodologies for the application of forward-looking macroeconomic variables ("MEV") which consist of economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEV forward-looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

### Forward-looking information (continued)

The measurement of ECL incorporates a broad range of forward-looking information as economic inputs, such as but not limited to:

- Gross Domestic Product ("GDP")
- Unemployment Rate
- Consumer Price Index
- House Price Index

The Group and the Bank apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

*Base case:* This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

*Best and Worst case:* These represent the 'upside' and 'downside' outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

### Modification of loans/financing

The Group and the Bank may renegotiate or otherwise modify the contractual cash flows of loans/financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms.

The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest/profit rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets (continued)

# Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

### Modification of loans/financing (continued)

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest/profit rate (or credit-adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 34.

### 0 Derecognition of financial assets and financial liabilities other than on a modification

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

### P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

### Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Q** Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

### **R** Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

### S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

### T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### U Cash and cash equivalents

Cash and short-term funds in the statements of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### V Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

### W Share capital

### (i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument.

### (ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (iii) Dividends

Distributions to shareholders are recognised directly in equity. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (iv) Purchase of own shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 'Financial Instruments: Presentation'. Treasury shares consist of those own shares purchased pursuant to Section 127 of the Companies Act 2016 and those purchased pursuant to ESOS scheme.

Where the Bank or its subsidiaries purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Bank's equity holders as treasury shares until they are cancelled, reissued or disposed off. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is adjusted against treasury shares.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### X Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence of one or more uncertain future events whose existence probable that control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### Y Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between the sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

### Z Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- \* the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares.
- \* by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.
- (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- \* the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- \* the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

for the financial year ended 30 June 2023

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### AA Investment Account

Unrestricted Investment Account-i ("URIA") refers to a type of investment account structured based on a profit sharing (Mudarabah) contract. Mudarabah is a Shariah-compliant contract between Investment Account Holders ("IAH") as capital providers or investor (Rabbul-mal) and the Bank's subsidiary, Hong Leong Islamic Bank Berhad ("HLISB") as the fund manager (Mudarib). Any profit generated from the investment is shared between the IAH and HLISB according to a mutually pre-agreed Profit Sharing Ratio. Financial losses from the investment activities are borne by the IAH except where such losses are due to HLISB misconduct, negligence, or breach of specified terms. The URIA and financing assets funded by the URIA are recorded in HLISB and the Group's financial statement as its liabilities and assets in accordance with MFRS 9. Risk weighted assets funded by the Investment Account are excluded from the calculation of capital ratio of HLISB and the Group.

Restricted Investment Account-i ("RIA") refers to a type of investment account where the IAH, provides a specific investment mandate to the Bank such as purpose and/or period for investment. The RIA is based on shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises the Bank's subsidiary, HLISB, as investment agent (Wakil) to manage the customers' investment on their behalf. Profit generated from the investment will be distributed to the IAH during the Profit Distribution Period.

### AB Financial assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 'Financial Instruments', with the benefit at a below market rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefits of such schemes that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the statements of income in the same financial period in accordance with MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance'.

for the financial year ended 30 June 2023

### 3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Cash and balances with banks and other financial institutions	2,429,758	1,782,374	1,898,001	1,425,591
Money at call and deposit placements maturing within one month	5,777,248	4,312,695	4,465,228	4,031,249
	8,207,006	6,095,069	6,363,229	5,456,840
Less: Expected credit losses	(203)	(340)	(1,001)	(1,052)
	8,206,803	6,094,729	6,362,228	5,455,788

### 4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The G	The Group		Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM'000
Licensed banks	422,332	586,095	1,344,797	2,618,370
Central banks	14,565	256,420	-	-
	436,897	842,515	1,344,797	2,618,370
Less: Expected credit losses	(20)	(9)	(1,244)	(4,035)
	436,877	842,506	1,343,553	2,614,335

for the financial year ended 30 June 2023

## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The G	iroup	The f	Bank
	2023	2022	2023	2022
	RM′000	RM′000	RM′000	RM′000
Money market instruments				
Bank Negara Malaysia bills	1,197,414	49,806	997,852	49,806
Government treasury bills	620,126	2,083,409	225,937	1,786,542
Malaysian Government securities	305,143	321,783	305,143	321,783
Malaysian Government investment certificates	1,518,578	158,570	1,353,463	158,570
Cagamas bonds	15,078	65,587	15,078	65,587
	3,656,339	2,679,155	2,897,473	2,382,288
Quoted securities				
Shares in Malaysia	62,637	56,693	11,249	-
Shares outside Malaysia	9,352	-	9,352	-
Wholesale fund/unit trust	1,307,176	2,780,869	1,380,727	2,859,382
Portfolio Investment Accounts (Note)	1,282	9,097	-	-
Foreign currency bonds in Malaysia	-	11,938	-	11,938
Foreign currency bonds outside Malaysia	-	31,120	-	31,120
Convertible bonds outside Malaysia	-	1,108,752	-	1,190,942
	1,380,447	3,998,469	1,401,328	4,093,382
Unquoted securities				
Government sukuk	-	101,766	-	-
Corporate bonds and sukuk	190,885	84,472	190,885	84,472
Shares in Malaysia	364,985	355,620	364,985	355,620
Foreign currency bonds in Malaysia	37,281	-	37,281	-
Redeemable preference shares	25,000	25,000	25,000	25,000
	618,151	566,858	618,151	465,092
	5,654,937	7,244,482	4,916,952	6,940,762

Note:

Included in financial assets at FVTPL are the underlying assets for the Portfolio Investment Accounts ("PIA"). PIA is the restricted investment account offered to investors based on the Shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises Hong Leong Islamic Bank to manage the customers' investment on their behalf.

for the financial year ended 30 June 2023

### 6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

		The G	iroup	The E	Bank
		2023	2022	2023	2022
		RM'000	RM′000	RM′000	RM′000
At fa	air value				
(a)	Debt instruments	33,789,020	26,112,917	30,011,550	22,333,135
(b)	Equity instruments	97,650	83,386	97,650	83,386
		33,886,670	26,196,303	30,109,200	22,416,52
(a)	Debt instruments				
	Money market instruments				
	Government treasury bills	1,820,701	-	1,820,701	
	Malaysian Government securities	4,493,298	3,670,109	4,493,298	3,670,10
	Malaysian Government investment certificates	9,726,037	8,954,723	6,297,637	5,571,42
	Negotiable instruments of deposit	1,306,322	1,796,800	1,306,322	1,796,80
	Cagamas bonds	2,535,068	821,260	2,535,068	795,92
	Khazanah bonds	363,416	348,079	363,416	348,07
		20,244,842	15,590,971	16,816,442	12,182,34
	Quoted securities				
	Government sukuk	860,644	831,321	860,644	831,32
	Foreign currency bonds in Malaysia	1,873,035	1,216,476	1,873,035	1,216,47
	Foreign currency bonds outside Malaysia	1,703,172	842,415	1,703,172	842,41
		4,436,851	2,890,212	4,436,851	2,890,21
	Unquoted securities				
	Government sukuk	30,768	417,257	30,768	417,25
	Corporate bonds and sukuk	7,896,424	6,783,878	7,553,461	6,420,23
	Foreign currency bonds in Malaysia	847,674	175,112	847,674	175,11
	Foreign currency bonds outside Malaysia	332,461	255,487	326,354	247,97
		9,107,327	7,631,734	8,758,257	7,260,57
		33,789,020	26,112,917	30,011,550	22,333,13

Included in the debt instruments at FVOCI are securities which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM2,918,310,000 (2022: RM1,292,472,000).

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

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## 6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	1,729	-	4,287	6,016
New financial assets originated or purchased	959	-	-	959
Financial assets derecognised	(199)	-	-	(199)
Changes due to change in credit risk	(576)	-	-	(576)
Exchange differences	101	-	-	101
At 30 June	2,014	-	4,287	6,301

The Group	Stage 1 12 Months ECL RM′000	Stage 2 Lifetime ECL not credit impaired RM′000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	2,266	-	4,287	6,553
New financial assets originated or purchased	244	-	-	244
Financial assets derecognised	(791)	-	-	(791)
Changes due to change in credit risk	(66)	-	-	(66)
Exchange differences	76	-	-	76
At 30 June	1,729	-	4,287	6,016

for the financial year ended 30 June 2023

## 6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	1,724	-	4,287	6,011
New financial assets originated or purchased	959	-	-	959
Financial assets derecognised	(193)	-	-	(193)
Changes due to change in credit risk	(581)	-	-	(581)
Exchange differences	98	-	-	98
At 30 June	2,007	-	4,287	6,294

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM′000	Total ECL RM'000
2022				
At 1 July	2,266	-	4,287	6,553
New financial assets originated or purchased	237	-	-	237
Financial assets derecognised	(791)	-	-	(791)
Changes due to change in credit risk	(66)	-	-	(66)
Exchange differences	78	-	-	78
At 30 June	1,724	-	4,287	6,011

		The Group		The Bank	
		2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
(b)	Equity instruments				
	Unquoted securities:				
	Shares in Malaysia	97,650	83,386	97,650	83,386

for the financial year ended 30 June 2023

### 6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

The Group and the Bank designated certain investments shown in the following table as equity instruments under FVOCI, which is held for socio-economic purposes or not for trading purposes.

2023	Fair value RM′000	recognised during the financial year RM'000
Securities:		
RAM Holdings Berhad	6,432	2,175
Payments Network Malaysia Sdn Bhd	89,975	-
Others	1,243	-
	97,650	2,175
		Dividend

The Group and The Bank	Fair value RM′000	income recognised during the financial year RM′000
2022		
Securities:		
RAM Holdings Berhad	7,764	406
Payments Network Malaysia Sdn Bhd	74,544	-
Others	1,078	-
	83,386	406

for the financial year ended 30 June 2023

### 7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The G	iroup	The I	The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	
Money market instruments					
Government treasury bills	60,676	57,612	60,676	57,612	
Malaysian Government securities	5,427,423	4,787,205	5,427,423	4,787,205	
Malaysian Government investment certificates	22,985,651	22,720,790	14,847,344	14,950,431	
Cagamas bonds	1,658,260	416,700	954,692	265,439	
Khazanah bonds	14,393	13,889	14,393	13,889	
Other Government securities	421,343	419,246	357,609	357,270	
	30,567,746	28,415,442	21,662,137	20,431,846	
Quoted securities					
Foreign currency bonds outside Malaysia	19,117	62,174	19,117	62,174	
Unquoted securities					
Government sukuk	30,611	2,583,133	30,611	1,617,188	
Corporate bonds and sukuk	576,609	1,297,733	489,699	1,033,337	
	607,220	3,880,866	520,310	2,650,525	
Less: Expected credit losses	(18)	(68)	-	-	
	31,194,065	32,358,414	22,201,564	23,144,545	

Included in the financial investments at amortised cost are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM4,478,710,000 (2022: RM2,692,688,000).

for the financial year ended 30 June 2023

## 7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM′000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	68	-	-	68
Changes due to change in credit risk	(52)	-	-	(52)
Changes in models/risk parameters	(1)	-	-	(1)
Exchange differences	3	-	-	3
At 30 June	18	-	-	18

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM′000	Total ECL RM'000
2022				
At 1 July	68	-	-	68
New financial assets originated or purchased	67	-	-	67
Financial assets derecognised	(68)	-	-	(68)
Exchange differences	1	-	-	1
At 30 June	68	-	-	68

for the financial year ended 30 June 2023

## 7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	12 Months	not credit	credit	
	ECL	impaired	impaired	Total ECL
The Bank	RM′000	RM'000	RM'000	RM'000
2023				
At 1 July/30 June	-	-	-	-

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	23	-	-	23
Financial assets derecognised	(24)	-	-	(24)
Exchange differences	1	-	-	1
At 30 June	-	-	-	-

for the financial year ended 30 June 2023

## 7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
At 1 July	32,358,482	-	-	32,358,482
New financial assets originated or purchased	556,100	-	-	556,100
Financial assets derecognised	(5,506,752)	-	-	(5,506,752)
Changes due to change in credit risk	3,749,738	-	-	3,749,738
Exchange differences	36,515	-	-	36,515
At 30 June	31,194,083	-	-	31,194,083

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM′000	Total RM'000
2022				
At 1 July	23,634,975	-	-	23,634,975
New financial assets originated or purchased	499,987	-	-	499,987
Financial assets derecognised	(2,740,244)	-	-	(2,740,244)
Changes due to change in credit risk	10,902,558	-	-	10,902,558
Exchange differences	61,206	-	-	61,206
At 30 June	32,358,482	-	-	32,358,482

for the financial year ended 30 June 2023

## 7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM′000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
At 1 July	23,144,545	-	-	23,144,545
New financial assets originated or purchased	556,100	-	-	556,100
Financial assets derecognised	(3,988,642)	-	-	(3,988,642)
Changes due to change in credit risk	2,456,059	-	-	2,456,059
Exchange differences	33,502	-	-	33,502
At 30 June	22,201,564	-	-	22,201,564

The Bank	Stage 1 RM'000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2022				
At 1 July	16,558,749	-	-	16,558,749
New financial assets originated or purchased	499,987	-	-	499,987
Financial assets derecognised	(1,751,968)	-	-	(1,751,968)
Changes due to change in credit risk	7,779,510	-	-	7,779,510
Exchange differences	58,267	-	-	58,267
At 30 June	23,144,545	-	-	23,144,545

for the financial year ended 30 June 2023

### 8 LOANS, ADVANCES AND FINANCING

	The G	iroup	The E	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Overdrafts	4,077,891	3,546,936	2,603,155	2,418,512
Term loans/financing:				
- Housing and shop loans/financing	97,387,797	91,169,501	75,068,963	70,818,806
- Hire purchase receivables	19,914,072	18,035,880	14,287,272	13,757,762
- Ijarah receivables	249,054	247,445	-	-
- Other term loans/financing and syndicated term loans	35,065,848	31,953,779	23,546,880	21,668,500
Credit/charge card receivables	3,202,663	2,923,883	3,202,663	2,923,883
Bills receivable	1,936,868	1,539,682	1,522,981	1,226,517
Trust receipts	441,074	417,252	301,326	219,633
Claims on customers under acceptance credits	8,936,884	8,817,344	7,558,692	7,484,462
Revolving credit	10,339,502	9,455,248	8,142,773	7,423,951
Staff loans/financing	125,058	127,075	108,093	111,524
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(14,700)	(9,962)	(11,788)	(6,919)
Allowance for impairment losses:				
- Expected credit losses	(1,759,164)	(1,736,442)	(1,238,249)	(1,301,095)
Total net loans, advances and financing	179,902,847	166,487,621	135,092,761	126,745,536

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM2,917,197,000 (2022: RM1,572,077,000) and RM1,463,428,000 (2022: RM481,662,000) respectively.

for the financial year ended 30 June 2023

## 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) The maturity structure of loans, advances and financing is as follows:

	The C	The Group		The Bank		
	2023 RM'000	2022 RM′000	2023 RM′000	2022 RM′000		
Maturing within:						
- one year	32,945,837	30,652,059	26,641,266	25,192,137		
- one year to three years	7,231,435	6,799,754	5,321,960	4,984,708		
- three years to five years	10,654,145	11,278,670	8,184,124	8,521,519		
- over five years	130,845,294	119,503,542	96,195,448	89,355,186		
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550		

(ii) The loans, advances and financing are disbursed to the following types of customers:

	The Group		The I	The Bank		
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM'000		
Domestic non-bank financial institutions other than stockbroking companies	2,228,815	1,916,763	1,878,916	1,589,487		
Domestic business enterprises:						
- small and medium enterprises	33,030,609	30,114,790	23,810,665	22,093,010		
- others	27,819,048	25,126,789	20,975,027	18,824,683		
Government and statutory bodies	1,108	1,387	-	-		
Individuals	115,372,002	107,602,406	86,802,501	82,391,900		
Other domestic entities	100,246	103,122	5,374	9,529		
Foreign entities	3,124,883	3,368,768	2,870,315	3,144,941		
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550		

for the financial year ended 30 June 2023

## 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	The Group		The Bank	
	2023 RM′000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate:				
- Housing and shop loans/financing	4,875,610	1,387,937	3,661,786	841,055
- Hire purchase receivables	19,856,028	17,965,989	14,248,349	13,709,506
- Credit card	3,202,663	2,923,883	3,202,663	2,923,883
- Other fixed rate loans/financing	5,438,263	6,589,216	4,190,957	4,954,285
Variable rate:				
- Standardised base rate/base rate/				
base lending rate plus	123,357,618	116,345,805	93,672,546	89,645,540
- Cost plus	24,846,899	22,881,491	17,358,416	15,973,965
- Other variable rates	99,630	139,704	8,081	5,316
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	RM′000	RM′000	RM′000	RM′000
Purchase of securities	945,964	976,120	769,222	723,762
Purchase of transport vehicles	19,574,851	17,653,587	13,920,233	13,359,480
Residential property (housing)	89,114,464	82,434,133	67,773,624	63,214,707
Non-residential property	21,976,096	20,519,124	16,577,973	15,916,196
Purchase of fixed assets (excluding landed properties)	1,672,034	1,613,109	1,140,245	1,152,867
Personal use	3,885,235	3,706,863	2,616,759	2,487,061
Credit card	3,202,663	2,923,883	3,202,663	2,923,883
Construction	4,197,939	3,531,187	2,886,552	2,545,847
Working capital	35,949,262	33,770,002	26,681,549	25,022,038
Other purpose	1,158,203	1,106,017	773,978	707,709
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550

for the financial year ended 30 June 2023

### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

	The C	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000	
In Malaysia Outside Malaysia:	167,711,542	156,478,949	126,928,323	120,407,820	
- Singapore	9,367,686	7,624,640	9,367,686	7,624,640	
- Hong Kong - Vietnam	46,789 1,956,082	21,090 1,652,819	46,789 -	21,090	
- Cambodia	2,594,612	2,456,527	-	-	
Gross loans, advances and financing	181,676,711	168,234,025	136,342,798	128,053,550	

(vi) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM′000
Purchase of securities	125	232	-	220
Purchase of transport vehicles	42,881	35,282	27,129	24,091
Residential property (housing)	404,337	314,945	254,059	237,431
Non-residential property	119,107	151,278	105,087	132,400
Purchase of fixed assets (excluding landed properties)	4,627	485	4,627	485
Personal use	47,205	44,522	27,991	22,823
Credit card	30,445	21,419	30,445	21,419
Construction	24,851	9,271	5,575	7,292
Working capital	274,325	207,698	201,728	172,273
Other purpose	93,981	34,618	19,959	29,212
Gross impaired loans, advances and financing	1,041,884	819,750	676,600	647,646

(vii) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The	The Group		The Bank	
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM′000	
In Malaysia	982,267	805,638	675,119	646,805	
Outside Malaysia:					
- Singapore	1,481	841	1,481	841	
- Vietnam	928	1,585	-	-	
- Cambodia	57,208	11,686	-	-	
Gross impaired loans, advances and financing	1,041,884	819,750	676,600	647,646	

for the financial year ended 30 June 2023

#### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	
	· · · · · · · · · · · · · · · · · · ·	Lifetime ECL	Lifetime ECL	
	12 Months	not credit	credit	
	ECL	impaired	impaired	Total ECL
The Group	RM′000	RM'000	RM'000	RM'000
2023				
At 1 July	976,919	423,876	335,647	1,736,442
Changes in ECL due to transfer within stages	(44,041)	(203,150)	247,191	-
Transfer to Stage 1	35,330	(35,233)	(97)	-
Transfer to Stage 2	(76,350)	145,877	(69,527)	-
Transfer to Stage 3	(3,021)	(313,794)	316,815	-
New financial assets originated	46,534	855	54	47,443
Financial assets derecognised	(15,723)	(30,658)	(25,835)	(72,216)
Changes due to change in credit risk	(5,294)	186,477	172,701	353,884
Modifications to contractual cash flows of				
financial asset	366	1,078	203	1,647
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(306,145)	(306,145)
Exchange difference	1,757	571	(615)	1,713
Other movements	-	-	(12,057)	(12,057)
At 30 June	966,265	381,755	411,144	1,759,164

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	12 Months	not credit	credit	
	ECL	impaired	impaired	Total ECL
The Group	RM′000	RM'000	RM'000	RM′000
2022				
At 1 July	1,074,984	459,674	234,509	1,769,167
Changes in ECL due to transfer within stages	(57,015)	(237,985)	295,000	-
Transfer to Stage 1	33,219	(33,172)	(47)	-
Transfer to Stage 2	(87,703)	147,995	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,269	230	299	39,798
Financial assets derecognised	(16,026)	(26,665)	(15,760)	(58,451)
Changes due to change in credit risk	(60,303)	235,583	250,653	425,933
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,838)	(425,838)
Exchange difference	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June	976,919	423,876	335,647	1,736,442

for the financial year ended 30 June 2023

#### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM′000	Stage 2 Lifetime ECL not credit impaired RM′000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	745,735	296,203	259,157	1,301,095
Changes in ECL due to transfer within stages	(33,871)	(133,368)	167,239	-
Transfer to Stage 1	23,273	(23,177)	(96)	-
Transfer to Stage 2	(55,203)	102,604	(47,401)	-
Transfer to Stage 3	(1,941)	(212,795)	214,736	-
New financial assets originated	32,000	199	2	32,201
Financial assets derecognised	(10,249)	(19,385)	(17,393)	(47,027)
Changes due to change in credit risk	(27,596)	118,445	88,581	179,430
Modifications to contractual cash flows of				
financial asset	366	1,103	(76)	1,393
Changes in models/risk parameters	4,451	2,572	-	7,023
Amount written off	-	-	(227,681)	(227,681)
Exchange difference	1,310	39	(160)	1,189
Other movements	-	-	(9,374)	(9,374)
At 30 June	712,146	265,808	260,295	1,238,249

	Stage 1	Stage 2	Stage 3	
The Bank	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
2022				
At 1 July	818,437	326,761	186,098	1,331,296
Changes in ECL due to transfer within stages	(39,809)	(80,113)	119,922	-
Transfer to Stage 1	24,038	(24,007)	(31)	-
Transfer to Stage 2	(62,553)	103,838	(41,285)	-
Transfer to Stage 3	(1,294)	(159,944)	161,238	-
New financial assets originated	24,649	198	3	24,850
Financial assets derecognised	(6,553)	(16,235)	(9,573)	(32,361)
Changes due to change in credit risk	(47,827)	71,620	145,195	168,988
Changes in models/risk parameters	(3,638)	(6,080)	(349)	(10,067)
Amount written off	-	-	(178,336)	(178,336)
Exchange difference	476	52	12	540
Other movements	-	-	(3,815)	(3,815)
At 30 June	745,735	296,203	259,157	1,301,095

for the financial year ended 30 June 2023

#### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
At 1 July	150,930,362	16,483,913	819,750	168,234,025
Total transfer within stages	8,010,442	(8,717,341)	706,899	-
Transfer to Stage 1	11,965,339	(11,962,495)	(2,844)	-
Transfer to Stage 2	(3,890,107)	4,788,028	(897,921)	-
Transfer to Stage 3	(64,790)	(1,542,874)	1,607,664	-
New financial assets originated	20,914,513	802,354	1,011	21,717,878
Financial assets derecognised	(7,178,642)	(326,908)	(63,199)	(7,568,749)
Changes due to change in credit risk	4,374	(1,568,124)	(116,749)	(1,680,499)
Modifications to contractual cash flows				
and unwinding of modification impact	63,763	29,870	-	93,633
Amount written off	-	-	(306,460)	(306,460)
Exchange difference	1,181,668	4,583	632	1,186,883
At 30 June	173,926,480	6,708,347	1,041,884	181,676,711

The Group	Stage 1 RM'000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2022				
At 1 July	145,379,302	9,725,500	717,407	155,822,209
Total transfer within stages	(8,080,053)	7,410,161	669,892	-
Transfer to Stage 1	10,337,231	(10,335,663)	(1,568)	-
Transfer to Stage 2	(18,384,549)	19,010,878	(626,329)	-
Transfer to Stage 3	(32,735)	(1,265,054)	1,297,789	-
New financial assets originated	17,350,775	2,626,969	327	19,978,071
Financial assets derecognised	(4,663,945)	(341,432)	(55,254)	(5,060,631)
Changes due to change in credit risk	352,394	(2,942,768)	(88,136)	(2,678,510)
Modifications to contractual cash flows and unwinding of modification impact	56,999	(132)	-	56,867
Amount written off	-	-	(426,047)	(426,047)
Exchange difference	534,890	5,615	1,561	542,066
At 30 June	150,930,362	16,483,913	819,750	168,234,025

for the financial year ended 30 June 2023

#### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
At 1 July	115,303,564	12,102,340	647,646	128,053,550
Total transfer within stages	6,035,464	(6,442,609)	407,145	-
Transfer to Stage 1	8,688,017	(8,689,569)	1,552	-
Transfer to Stage 2	(2,631,078)	3,280,395	(649,317)	-
Transfer to Stage 3	(21,475)	(1,033,435)	1,054,910	-
New financial assets originated	15,112,650	12,801	1,011	15,126,462
Financial assets derecognised	(5,510,694)	(244,181)	(49,277)	(5,804,152)
Changes due to change in credit risk	(1,100,494)	(633,176)	(102,008)	(1,835,678)
Modifications to contractual cash flows	28 000	10.071		59.0/1
and unwinding of modification impact	38,990	19,071	-	58,061
Amount written off			(227,996)	(227,996)
Exchange difference	970,889	1,583	79	972,551
At 30 June	130,850,369	4,815,829	676,600	136,342,798

The Bank	Stage 1 RM′000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2022				
At 1 July	112,428,479	7,390,586	582,517	120,401,582
Total transfer within stages	(5,594,426)	5,225,493	368,933	-
Transfer to Stage 1	7,658,177	(7,663,340)	5,163	-
Transfer to Stage 2	(13,231,394)	13,688,811	(457,417)	-
Transfer to Stage 3	(21,209)	(799,978)	821,187	-
New financial assets originated	12,527,693	18,105	253	12,546,051
Financial assets derecognised	(3,277,503)	(251,801)	(45,738)	(3,575,042)
Changes due to change in credit risk	(1,214,824)	(280,997)	(79,917)	(1,575,738)
Modifications to contractual cash flows				
and unwinding of modification impact	29,080	105	-	29,185
Amount written off	-	-	(178,545)	(178,545)
Exchange difference	405,065	849	143	406,057
At 30 June	115,303,564	12,102,340	647,646	128,053,550

for the financial year ended 30 June 2023

#### 9 OTHER ASSETS

	The C	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000	
Foreclosed properties	46	46	46	46	
Sundry debtors and other prepayments	209,513	163,872	199,360	155,655	
Settlement accounts	850,808	708,194	849,543	707,138	
Treasury related receivables	159,021	578,958	159,021	106,758	
Cash collateral pledged for derivative transactions	1,076,611	678,909	1,076,611	678,909	
Other receivables	158,416	150,763	113,922	133,049	
	2,454,415	2,280,742	2,398,503	1,781,555	

#### **10 DERIVATIVE FINANCIAL INSTRUMENTS**

		The G	iroup	The	Bank
	·	2023	2022	2023	2022
	Note	RM′000	RM'000	RM′000	RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		715,585	698,835	715,585	698,833
- cross currency swaps		217,004	211,722	217,004	210,478
- foreign currency forwards		993,558	731,174	892,575	648,433
- foreign currency options		46,942	52,967	46,975	52,967
- futures		26,173	9,909	26,173	9,909
- equity options		63,994	104,802	63,994	104,802
- swaption		908	-	7,213	225
- commodity swap		1,142	4,348	1,142	4,348
- total return swap		92,605	39,156	92,605	39,156
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	10,513	10,387	8,403	7,220
Total derivative financial instruments assets		2,168,424	1,863,300	2,071,669	1,776,371

for the financial year ended 30 June 2023

#### **10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

		The G	roup	The B	ank
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM′000	RM′000
Derivatives at fair value through profit or loss:					
- interest rate swaps		(909,410)	(1,034,387)	(878,339)	(1,016,254)
- cross currency swaps		(415,845)	(224,152)	(415,845)	(224,154)
- foreign currency forwards		(852,853)	(240,765)	(797,941)	(233,802)
- foreign currency options		(33,915)	(50,603)	(33,948)	(50,603)
- futures		(874)	(31,678)	(874)	(31,678)
- equity options		(61,479)	(103,510)	(61,479)	(103,510)
- swaption		(19,739)	(7,767)	(19,739)	(7,768)
- commodity swap		(1,131)	(4,346)	(1,131)	(4,346)
- total return swap		(92,605)	(39,156)	(92,605)	(39,156)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	-	(361)	-	(361)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	(35)	(113)	(35)	(113)
Total derivative financial instruments liabilities		(2,387,886)	(1,736,838)	(2,301,936)	(1,711,745)

#### (a) Cash flow hedge

The Group and the Bank's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The effectiveness of hedging relationship is assessed by comparing the changes in fair value of the interest rate swaps with changes in the fair value of the hedged items attributable to the hedged risk to ensure there is an economic relationship between the hedged items and the hedging instruments. During the financial year ended 30 June 2023, all cash flow hedges have been unwind and the cumulative loss in equity has been reclassified to the statements of income following the maturity of the cash flow hedge.

for the financial year ended 30 June 2023

#### 10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Cash flow hedge (continued)

The cash flows of the hedging instruments and the hedged items are detailed below:

	The Group a	nd The Bank
	2023	2022
	> 1 - 3	> 1 - 3
	months	months
	RM′000	RM′000
Cash inflows (hedging instruments)	-	569
Cash outflows (hedged items)	-	(491)
Net cash inflows	-	78

#### (b) Fair value hedge

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM541,667,000 (2022: RM563,095,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value gain of the said interest rate swaps related to these hedges amounted to RM8,368,000 (2022: fair value loss of RM7,107,000) at Group and Bank, respectively.

On 29 April 2022, the Bank issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. The Bank has hedged the interest rate risk arising from these Green Capital Securities.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The	The Group		Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Gain on hedging instruments	9,903	23,061	9,903	23,061
Loss on the hedged items attributable to the hedged risks	(9,050)	(25,202)	(9,050)	(25,202)
	853	(2,141)	853	(2,141)

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#### **11 AMOUNT DUE FROM SUBSIDIARIES**

	The t	Bank
	2023 RM′000	2022 RM′000
ntercompany settlement	143,862	91,110

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

#### 12 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by the Bank and its subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities. A foreign subsidiary of the Group and a foreign branch of the Bank also maintained non-interest bearing statutory deposits with their respective central banks in compliance with the respective applicable legislations.

#### 13 SUBSIDIARY COMPANIES

	The Bank	
	2023 RM′000	2022 RM′000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	961,322	961,322
- outside Malaysia	775,989	775,989
	1,737,311	1,737,311
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	404,018	401,799
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	400,788	400,788
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	113,200	85,798
	918,006	888,385
	2,655,317	2,625,696

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#### 13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

			ge (%) of y held	
Nar	ne	2023	2022	Principal activities
(a)	Hong Leong Islamic Bank Berhad ("HLISB")	100	100	Islamic Banking business and related financial services
(b)	HLB Principal Investments (L) Limited and its subsidiary company:	100	100	Investment holding
	- Promino Sdn Bhd	100	100	Holding of pooled motor vehicles for HLBB group's usage
(c)	EB Nominees (Tempatan) Sendirian Berhad	100	100	In member's voluntary liquidation
(d)	EB Realty Sendirian Berhad	100	100	In member's voluntary liquidation
(e)	OBB Realty Sdn Bhd	100	100	Property investment
(f)	HLF Credit (Perak) Bhd and its subsidiary companies:	100	100	Investment holding
	(i) Gensource Sdn Bhd and its subsidiary company:	100	100	Investment holding
	- Pelita Terang Sdn Bhd	100	100	Dormant
	(ii) Promidah Sdn Bhd <sup>*</sup>	100	100	Dormant
	(iii) Promizul Sdn Bhd	100	100	In member's voluntary liquidation
	(iv) HLB Realty Sdn Bhd	100	100	Property investment
(g)	HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
(h)	HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
(i)	HLB Trade Services (Hong Kong) Limited <sup>*</sup>	100	100	Ceased operations
(j)	Hong Leong Bank Vietnam Limited*	100	100	Commercial banking business
(k)	Hong Leong Bank (Cambodia) PLC*+	100	100	Commercial banking business
(I)	Promilia Berhad	100	100	Holding of motor vehicles for HLBB group's usage
(m)	DC Tower Sdn Bhd	100	100	Property management
(n)	Unincorporated trust for ESOS $^{\circ}$ *	-	-	Special purpose vehicle
(0)	Hong Leong Wholesale Equity Fund 2 $^{\mathrm{o}}$	100	100	Unit trust funds

\* Not audited by PricewaterhouseCoopers PLT

+ Audited by member firm of PricewaterhouseCoopers International Limited

 $\Omega$   $\;$  Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

for the financial year ended 30 June 2023

#### 14 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The	Bank
	2023 RM'000	2022 RM′000	2023 RM′000	2022 RM′000
Quoted shares outside Malaysia, at cost	2,054,828	938,311	2,063,022	946,505
Unquoted shares in Malaysia, at cost	20	20	20	20
Unquoted shares outside Malaysia, at cost	24,657	24,657	24,657	24,657
Cumulative share of results, net of dividends received	5,793,135	4,508,513	-	-
Equity conversion option	57,937	82,751	-	-
Cumulative share of changes in other comprehensive loss	(17,141)	(2,096)	-	-
Exchange fluctuation reserve	799,540	903,318	-	-
	8,712,976	6,455,474	2,087,699	971,182

#### (a) Information about associated companies

	Country of	The G Percentag equity		
Name	incorporation	2023	2022	Principal activities
Bank of Chengdu Co., Ltd. ("BOCD")	China	19.8%	18.0%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	20.0%	20.0%	Investment holding
Sichuan Jincheng Consumer Finance Limited Company ("JCCFC")	China	12.0%	12.0%	Consumer financing

#### Nature of relationship

#### (i) BOCD

On 25 October 2007, HLB entered into a Share Subscription Agreement with BOCD to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The Subscription enables HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It will strengthen and diversify the earnings base of HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Bank's equity interest of the enlarged capital in BOCD reduced to 18% from 20%. BOCD remains an associate by virtue of the representation held on BOCD's Board of Directors.

In March 2022, HLB subscribed convertible bonds issued by BOCD. During the financial year, HLB has fully converted the bonds and the Bank's equity interest in BOCD has been revised to 19.8% as at 30 June 2023.

The market value of BOCD's shares held by the Bank is RM5.94 billion (2022: RM7.09 billion) at RM7.88 (2022: RM10.91) per share as at 30 June 2023.

The Group deems BOCD as a material associated company.

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#### 14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(i) BOCD (continued)

As at 30 June 2023, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2023 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

The VIU calculation uses discounted cash flows projections based on BOCD management's best estimates of future earnings taking into account of past performance and BOCD's expectation of market development. This calculation uses cash flows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2024 with a further projection of 4 years, which was approved by BOCD management. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.93% (2022: 5.65%) representing the forecasted Gross Domestic Product growth rate of the country.

The discount rate of 13.6% (2022: 13.6%) used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using available market data.

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

CCSR is a private company and there is no quoted market price available for its shares.

(iii) JCCFC

On 1 March 2010, HLB together with BOCD, obtained operation approval from China Banking Regulatory Commission ("CBRC") for JCCFC, a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. JCCFC focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in JCCFC. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

In March 2017, the Board of Directors had approved the divestment of 37% of the Bank's stake through nonsubscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. In 2019, the net gain on divestment of joint venture of RM90,106,000 was recognised in the Group's statements of income.

Post completion of the divestment exercise, the retained interest of 12% was derecognised from the investment in joint venture and classified as investment in associated companies. JCCFC remains an associate by virtue of the representation held on JCCFC's Board of Directors.

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#### 14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

- (b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows:
  - (i) BOCD

	The	Group
	2023 RM'000	
Total assets	663,055,407	587,601,391
Total liabilities	(619,627,516)	(552,359,573)
Net assets	43,427,891	35,241,818

	The G	roup
	2023	2022
	RM′000	RM′000
Interest income	23,809,371	20,952,823
Interest expenses	(12,550,167)	(10,666,498)
Non-interest income	2,460,679	2,410,797
Profit before taxation	8,538,581	6,675,167
Profit after taxation	6,869,924	5,629,205
Total comprehensive income	6,785,363	5,536,137
Dividends paid/declared by the associated company during the financial year	-	1,493,002
Share of results of associated companies (%)	19.8%	18.0%
Share of results of associated companies (RM'000)	1,266,273	1,012,694
Dividends received/accrued from the associated company (RM'000)	-	268,591

#### (ii) JCCFC

	The G	гоир
	2023 RM′000	2022 RM′000
Total assets	6,788,841	6,810,330
Total liabilities	(5,691,966)	(5,848,075)
Net assets	1,096,875	962,255

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#### 14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

- (b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows: (continued)
  - (ii) JCCFC (continued)

	The Gr	roup
	2023	2022
	RM′000	RM'000
Interest income	923,853	948,882
Interest expenses	(238,288)	(305,565)
Non-interest income	15,257	17,703
Profit before taxation	258,435	196,993
Profit after taxation	193,392	148,308
Dividends declared by the associated company during the financial year	40,488	19,275
Share of results of associated companies (%)	12.0%	12.0%
Share of results of associated companies (RM'000)	23,207	17,797
Dividends accrued from the associated company (RM'000)	4,859	2,313

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements:

	The G	iroup
	2023 RM′000	2022 RM′000
Opening net assets as at 1 July	35,241,818	30,038,111
Effect arising from conversion of convertible bonds	2,524,428	-
Profit for the financial year	6,869,924	5,629,205
Other comprehensive loss for the financial year	(84,561)	(93,068)
Dividends paid/declared	-	(1,493,002)
Equity conversion option	(166,780)	459,983
Exchange fluctuation reserve	(956,938)	700,589
Closing net assets as at 30 June	43,427,891	35,241,818
Interest in associated companies (%)	19.8%	18.0%
Interest in associated companies (RM'000)	8,581,351	6,340,003

(i) BOCD

for the financial year ended 30 June 2023

#### 14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements: (continued)
  - (ii) JCCFC

	The Group		
	2023	2022	
	RM'000	RM'000	
Opening net assets as at 1 July	962,255	814,047	
Profit for the financial year	193,392	148,308	
Dividends declared	(40,488)	(19,275)	
Exchange fluctuation reserve	(18,284)	19,175	
Closing net assets as at 30 June	1,096,875	962,255	
Interest in associated companies (%)	12.0%	12.0%	
Interest in associated companies (RM'000)	131,625	115,471	

The summarised financial information above represents amount shown in the material associates' financial statements prepared in accordance with MFRSs. The information is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

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# **15 PROPERTY AND EQUIPMENT**

The Group	Freehold land RM′000	Buildings on freehold land RM <sup>(</sup> 000	Leasehold land less than 50 years <sup>*</sup> RM <sup>^</sup> 000	Leasehold land 50 years or more <sup>*</sup> RM <sup>^</sup> 000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM <sup>(000</sup>	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM <sup>,</sup> 000
2023 Cost											
At 1 July	133,847	583,033	1,092	40,547	2,636	111,637	528, 138	977,005	6,230	68,523	2,452,688
Additions	10,342	•		ı	ı		5,822	28,075	1,312	86,518	132,069
Reclassification/Transfer	I	•	•			•	1,674	6,700	•	(85,490)	(77,116)
Disposals/Write off	•			ı	I		(10,481)	(112,240)	(762)	(14)	(123,497)
Exchange fluctuation	•	•	•				2,403	2,272	196	270	5,141
At 30 June	144,189	583,033	1,092	40,547	2,636	111,637	527,556	901,812	6,976	69,807	2,389,285
Accumulated depreciation											
At 1 July	I	74,523	486	5,815	1,534	28,991	445,258	780,986	4,489		1,342,082
Charge for the financial year	•	11,641	17	423	50	2,102	23,034	71,775	<b>7</b> 97		110,039
Reclassification/Transfer	I		•	·			•	65			65
Disposals/Write off	•	•	•	•	•	•	(10,327)	(111,124)	(762)	•	(122,213)
Exchange fluctuation	•	•	•	•	•	•	2,002	1,766	153	•	3,921
At 30 June	•	86,164	503	6,238	1,584	31,093	459,967	743,468	4,877	•	1,333,894
Net book value as at 30 June 2023	144, 189	496,869	589	34,309	1,052	80,544	67,589	158,344	2,099	69,807	1,055,391

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 15 PROPERTY AND EQUIPMENT (CONTINUED)

The Group	Freehold land RM′000	Buildings on freehold land RM'000	Leasehold land less than 50 years <sup>®</sup> RM <sup>(</sup> 000	Leasehold land 50 years or more <sup>*</sup> RM <sup>^</sup> 000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM <sup>,</sup> 000	Motor vehicles RM'000	Capital work-in- progress RM <sup>(</sup> 000	Total RM'000
2022											
Cost											
At 1 July	133,847	583,033	1,092	40,805	2,636	113,545	542,723	970,129	5,880	71,515	2,465,205
Additions				ı	ı	ı	4,065	18,724	853	92,036	115,678
Reclassification/Transfer				,		(1,536)	1,258	14,489		(95,598)	(81,387)
Disposals/Write off				(258)	ı	(372)	(21,570)	(27,651)	(260)	(34)	(50,445)
Exchange fluctuation				ı	ı	ı	1,662	1,314	57	604	3,637
At 30 June	133,847	583,033	1,092	40,547	2,636	111,637	528,138	977,005	6,230	68,523	2,452,688
Accumulated depreciation											
At 1 July		62,875	469	5,480	1,480	27,131	437,881	728,053	4,048	,	1,267,417
Charge for the financial year		11,648	17	426	54	2,087	26,976	79,341	950	ı	121,499
Disposals/Write off	ı	ı	ı	(16)	ı	(227)	(21,003)	(27,505)	(260)	ı	(49,386)
Exchange fluctuation				I	I	I	1,404	1,097	51	I	2,552
At 30 June		74,523	486	5,815	1,534	28,991	445,258	780,986	4,489		1,342,082
Net book value as at 30 June 2022	133,847	508,510	606	34,732	1,102	82,646	82,880	196,019	1,741	68,523	1,110,606

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# 15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM′000	Buildings on freehold land RM <sup>(</sup> 000	Leasehold land less than 50 years <sup>*</sup> RM′000	Leasehold land 50 years or more <sup>*</sup> RM <sup>,</sup> 000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM <sup>(</sup> 000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM <sup>,</sup> 000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM′000
2023											
Cost At 1 July	53,485	51,161	628	40,116	3,269	107,210	485,615	934,406	4,629	64,522	1,745,041
Additions	10,342				I	I	4,357	27,467	1,000	86,037	129,203
Reclassification/Transfer	•			•		•	1,675	6,700		(84,467)	(76,092)
Disposals/Write off	•	•	•	•	•	•	(8,668)	(109,825)	(645)	(15)	(119,153)
Exchange fluctuation	I		•	•	•	•	897	1,184	140	(1)	2,220
At 30 June	63,827	51,161	628	40,116	3,269	107,210	483,876	859,932	5,124	66,076	1,681,219
Accumulated depreciation											
At 1 July		19,635	207	5,796	1,297	25,489	414,274	746,840	3,514	•	1,217,052
Charge for the financial year		1,017	15	424	89	2,026	20,244	68,405	630	•	92,850
Reclassification/Transfer	I		I		I			54			54
Disposals/Write off	•	•		•		•	(8,551)	(109,202)	(645)	•	(118,398)
Exchange fluctuation	•	•	•	•	•	•	680	824	117	•	1,621
At 30 June	•	20,652	222	6,220	1,386	27,515	426,647	706,921	3,616	•	1,193,179
Net book value as at 30 June 2023	63,827	30,509	406	33,896	1,883	79,695	57,229	153,011	1,508	66,076	488,040
								-			

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM′000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM′000	Leasehold land 50 years or more <sup>*</sup> RM <sup>(</sup> 000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM′000	Capital work-in- progress RM'000	Total RM′000
2022											
Cost											
At 1 July	53,485	51,161	628	40,374	3,269	109,118	501,934	930,103	4,828	61,386	1,756,286
Additions		ı		ı	ı		2,539	18,052	319	88,988	109,898
Reclassification/Transfer		I		ı	ı	(1,536)	938	13,216	ı	(85,852)	(73,234)
Disposals/Write off	ı	I	ı	(258)	I	(372)	(20,074)	(27,322)	(555)	ı	(48,581)
Exchange fluctuation		I		I	I	ı	278	357	37		672
At 30 June	53,485	51,161	628	40,116	3,269	107,210	485,615	934,406	4,629	64,522	1,745,041
Accumulated depreciation											
At 1 July		18,613	192	5,460	1,208	23,705	410,382	698,109	3,392		1,161,061
Charge for the financial year		1,022	15	427	89	2,011	23,255	75,666	652		103,137
Disposals/Write off		I	·	(16)	I	(227)	(19,564)	(27,198)	(555)	ı	(47,635)
Exchange fluctuation		I		I	I		201	263	25		489
At 30 June		19,635	207	5,796	1,297	25,489	414,274	746,840	3,514		1,217,052
Net book value as at 30 June 2022	53,485	31,526	421	34,320	1,972	81,721	71,341	187,566	1,115	64,522	527,989

for the financial year ended 30 June 2023

#### 16 INTANGIBLE ASSETS

The Group	Computer software RM'000	Total RM'000
2023		
Cost		
At 1 July	868,355	868,355
Additions	37,156	37,156
Reclassification/Transfer	77,116	77,116
Disposals/Write off	(57,397)	(57,397)
Exchange fluctuation	11,108	11,108
At 30 June	936,338	936,338
Amortisation and impairment		
At 1 July	563,606	563,606
Amortisation during the financial year	58,132	58,132
Reclassification/Transfer	(65)	(65)
Disposals/Write off	(54,783)	(54,783)
Exchange fluctuation	7,013	7,013
At 30 June	573,903	573,903
Net book value as at 30 June 2023	362,435	362,435

The Group	Computer software RM'000	Total RM'000
2022		
Cost		
At 1 July	762,502	762,502
Additions	35,442	35,442
Reclassification	79,851	79,851
Disposals/Write off	(14,588)	(14,588)
Exchange fluctuation	5,148	5,148
At 30 June	868,355	868,355
Amortisation and impairment		
At 1 July	520,185	520,185
Amortisation during the financial year	53,962	53,962
Disposals/Write off	(13,851)	(13,851)
Exchange fluctuation	3,310	3,310
At 30 June	563,606	563,606
Net book value as at 30 June 2022	304,749	304,749

for the financial year ended 30 June 2023

#### 16 INTANGIBLE ASSETS (CONTINUED)

The Bank	Computer software RM'000	Total RM'000
2023		
Cost		
At 1 July	784,389	784,389
Additions	30,773	30,773
Reclassification/Transfer	76,092	76,092
Disposals/Write off	(57,347)	(57,347)
Exchange fluctuation	7,385	7,385
At 30 June	841,292	841,292
Amortisation and impairment		
At 1 July	514,744	514,744
Amortisation during the financial year	50,869	50,869
Reclassification/Transfer	(54)	(54)
Disposals/Write off	(54,741)	(54,741)
Exchange fluctuation	4,258	4,258
At 30 June	515,076	515,076
Net book value as at 30 June 2023	326,216	326,216

The Bank	Computer software RM'000	Total RM'000
2022		
Cost		
At 1 July	697,362	697,362
Additions	27,177	27,177
Reclassification	71,698	71,698
Disposals/Write off	(14,266)	(14,266)
Exchange fluctuation	2,418	2,418
At 30 June	784,389	784,389
Amortisation and impairment		
At 1 July	479,085	479,085
Amortisation during the financial year	48,107	48,107
Disposals/Write off	(13,850)	(13,850)
Exchange fluctuation	1,402	1,402
At 30 June	514,744	514,744
Net book value as at 30 June 2022	269,645	269,645

for the financial year ended 30 June 2023

#### 17 RIGHT-OF-USE ASSETS

The Group	Properties RM'000	Total RM'000
2023		
At 1 July	211,718	211,718
Depreciation charge for the financial year	(48,456)	(48,456)
Modification	(6,387)	(6,387)
Addition	23,613	23,613
Disposals	(8,934)	(8,934)
Exchange fluctuation	4,392	4,392
At 30 June	175,946	175,946

The Group	Properties RM'000	Total RM'000
2022		
At 1 July	214,726	214,726
Depreciation charge for the financial year	(50,119)	(50,119)
Modification	990	990
Addition	56,084	56,084
Disposals	(10,478)	(10,478)
Exchange fluctuation	515	515
At 30 June	211,718	211,718

for the financial year ended 30 June 2023

#### 17 RIGHT-OF-USE ASSETS (CONTINUED)

The Bank	Properties RM'000	Total RM'000
2023		
At 1 July	321,446	321,446
Depreciation charge for the financial year	(71,556)	(71,556)
Modification	(6,133)	(6,133)
Addition	22,520	22,520
Disposals	(8,091)	(8,091)
Exchange fluctuation	3,122	3,122
At 30 June	261,308	261,308

The Bank	Properties RM'000	Total RM'000
2022		
At 1 July	344,387	344,387
Depreciation charge for the financial year	(73,875)	(73,875)
Modification	(2,255)	(2,255)
Addition	63,587	63,587
Disposals	(10,478)	(10,478)
Exchange fluctuation	80	80
At 30 June	321,446	321,446

#### 18 GOODWILL

	The Group		The	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM'000
Cost				
As at 1 July/30 June	1,831,312	1,831,312	1,771,547	1,771,547

for the financial year ended 30 June 2023

#### 18 GOODWILL (CONTINUED)

#### Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank		
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000	
Personal Financial Services	1,188,705	1,188,705	1,149,911	1,149,911	
Business & Corporate Banking	479,437	479,437	463,791	463,791	
Global Markets	163,170	163,170	157,845	157,845	
	1,831,312	1,831,312	1,771,547	1,771,547	

#### Impairment test for goodwill

The recoverable amount of CGUs is determined based on value-in-use calculations. Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the 2024 financial budget, which is approved by the Board of Directors with a further projection of 3 years (2022: 3 years). Cash flows beyond the 4 years period are extrapolated using an estimated growth rate of 4.2% (2022: 4.4%) representing the forecasted Gross Domestic Product growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2023	2022
	%	%
Personal Financial Services	11.66	9.72
Business & Corporate Banking	11.79	9.79
Global Markets	11.91	9.96

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2023. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value of any CGU to exceed its recoverable amount.

for the financial year ended 30 June 2023

#### **19 DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	The Group		The I	Bank
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM′000
Deferred tax assets	410,436	528,771	317,985	403,666

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Deferred tax assets				
- To be recovered within 12 months	341,317	365,178	274,767	288,329
- To be recovered after more than 12 months	69,119	163,593	43,218	115,337
	410,436	528,771	317,985	403,666

for the financial year ended 30 June 2023

#### **19 DEFERRED TAXATION (CONTINUED)**

The movements in deferred tax assets and liabilities during the financial year are as follows:

The Group	Note	Property and equipment and right-of-use in assets RM′000	Financial nstruments at FVOCI RM′000	Cash flow hedge reserve RM′000	Expected credit losses RM′000	Provisions RM′000	Total RM'000
Deferred tax assets/(liabilities)							
2023							
At 1 July		(70,460)	235,181	88	248,106	115,856	528,771
Charged to statements of income	41	(8,512)	-	-	(10,389)	(11,169)	(30,070)
Charged to equity	43	-	(88,233)	(88)	-	-	(88,321)
Exchange difference		(455)	868	-	139	(496)	56
At 30 June		(79,427)	147,816	-	237,856	104,191	410,436
2022							
At 1 July		(63,626)	(18,620)	1,905	249,546	106,465	275,670
(Charged)/Credited to statements of			,				
income	41	(6,781)	-	-	(1,550)	9,264	933
Credited/(Charged) to equity	43	-	253,840	(1,817)	-	-	252,023
Exchange difference		(53)	(39)	-	110	127	145
At 30 June		(70,460)	235,181	88	248,106	115,856	528,771

for the financial year ended 30 June 2023

#### **19 DEFERRED TAXATION (CONTINUED)**

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

The Bank		Property and equipment and right-of-use in assets RM'000	Financial nstruments at FVOCI RM′000	Cash flow hedge reserve RM′000	Expected credit losses RM′000	Provisions RM′000	Total RM'000
Deferred tax assets/(liabilities)							
2023							
At 1 July		(68,985)	185,509	88	177,197	109,857	403,666
(Charged)/Credited to statements of							
income	41	(8,140)	-	-	582	(12,030)	(19,588)
Charged to equity	43	-	(66,391)	(88)	-	-	(66,479)
Exchange difference		(482)	868	-	-	-	386
At 30 June		(77,607)	119,986	-	177,779	97,827	317,985
2022							
At 1 July		(62,114)	(32,129)	1,905	176,758	99,093	183,513
(Charged)/Credited to statements							
of income	41	(6,738)	-	-	439	10,764	4,465
Credited/(Charged) to equity	43	-	217,677	(1,817)	-	-	215,860
Exchange difference		(133)	(39)	-	-	-	(172)
At 30 June		(68,985)	185,509	88	177,197	109,857	403,666

for the financial year ended 30 June 2023

#### 20 DEPOSITS FROM CUSTOMERS

	The G	iroup	The I	Bank
	2023	2022	2023	2022
	RM′000	RM′000	RM′000	RM′000
Amortised cost				
Fixed deposits	112,228,229	93,856,333	82,199,282	68,772,681
Negotiable instruments of deposits	10,914,720	8,626,532	7,472,536	6,299,840
Short-term placements	19,449,279	26,244,055	15,682,791	22,181,987
	142,592,228	128,726,920	105,354,609	97,254,508
Demand deposits	42,617,712	41,279,128	35,491,124	35,060,757
Savings deposits	22,479,000	24,771,649	18,473,887	20,420,243
Others	398,549	449,369	255,610	287,918
	208,087,489	195,227,066	159,575,230	153,023,426
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	3,874,742	2,425,376	3,430,059	2,325,345
Fair value changes arising from designation at fair value				
through profit or loss *	(310,412)	(359,983)	(272,341)	(341,467)
	3,564,330	2,065,393	3,157,718	1,983,878
	211,651,819	197,292,459	162,732,948	155,007,304

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

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

The carrying amount of the structured deposits of the Group is RM292,750,000 (2022: RM353,117,000) lower than the contractual amount at maturity and the Bank is RM255,672,000 (2022: RM334,632,000) lower than the contractual amount at maturity.

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

	The G	The Group		Bank
	2023 RM'000	2022 RM′000	2023 RM′000	2022 RM′000
Due within:				
- six months	119,505,166	103,914,125	87,245,822	77,555,688
- six months to one year	20,115,668	20,170,955	16,140,440	16,272,452
- one year to five years	2,196,854	3,835,461	1,204,005	2,633,850
- more than five years	774,540	806,379	764,342	792,518
	142,592,228	128,726,920	105,354,609	97,254,508

for the financial year ended 30 June 2023

#### 20 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) The deposits are sourced from the following customers:

	The G	The Group		The Bank		
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM'000		
Government and statutory bodies	4,821,242	3,149,204	1,041,589	532,038		
Business enterprises	99,971,567	92,431,255	75,325,101	71,326,600		
Individuals	104,615,970	99,404,508	84,671,220	81,309,351		
Others	2,243,040	2,307,492	1,695,038	1,839,315		
	211,651,819	197,292,459	162,732,948	155,007,304		

#### 21 INVESTMENT ACCOUNTS OF CUSTOMERS

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

for the financial year ended 30 June 2023

#### 21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

#### (i) Movement in the investment account holder

The Group	Unrestricted investment accounts Mudarabah RM′000	Restricted investment accounts Wakalah RM′000
2023		
At 1 July	2,659,311	9,097
<u>Funding inflows/(outflows)</u>		
New placement/Renewal during the year	11,645,422	1,316
Redemption during the year	(12,068,129)	(9,097)
	2,236,604	1,316
Profit payable to Investment Account Holder	12,627	(34)
At 30 June	2,249,231	1,282
<b>2022</b> At 1 July	1,145,154	
Funding inflows/(outflows)	1,145,154	
New placement/Renewal during the year	5,730,758	10,262
Redemption during the year	(4,226,969)	(236)
	2,648,943	10,026
Profit payable to Investment Account Holder	10,368	(929)
At 30 June	2,659,311	9,097

for the financial year ended 30 June 2023

#### 21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

#### (i) Movement in the investment account holder (continued)

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM′000
2023		
Investment Asset		
House financing	580,926	-
Term financing	1,115,411	-
Personal financing	268,392	-
Cash and cash equivalent	271,875	-
Unit trusts	-	1,316
Total investment	2,236,604	1,316
2022 Investment Asset		
House financing	688,725	-
Term financing	1,323,448	-
Personal financing	317,873	-
Cash and cash equivalent	318,897	-
Unit trusts	-	10,026

(ii) Profit Sharing Ratio ("PSR") and Rate of Return ("ROR"):

Total investment

	2023	2023		2022	
	Average PSR	Average ROR	Average PSR	Average ROR	
The Group	%	%	%	%	
Unrestricted investment accounts:					
- 1 Month	85	2.88	85	2.16	
- 2 Months	85	3.04	85	2.19	
- 3 Months	85	3.64	85	2.18	
- 4 Months	85	3.18	85	2.20	
- 6 Months	84	3.88	83	2.35	
- 12 Months	82	3.27	84	2.56	

2,648,943

10,026

for the financial year ended 30 June 2023

#### 22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Licensed banks	7,866,784	4,742,649	6,564,588	3,617,792
Licensed investment banks	230,021	-	230,021	-
Central banks (Note)	1,497,021	1,579,601	1,474,882	1,557,628
	9,593,826	6,322,250	8,269,491	5,175,420

Note:

Deposits and placements from central banks includes monies received by the Group and the Bank under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,497,021,000 (2022: RM1,579,601,000) and RM1,474,882,000 (2022: RM1,557,628,000) respectively at concession rates.

#### 23 LEASE LIABILITIES

	The Group		The Bank	
	2023 RM'000	2022 RM′000	2023 RM′000	2022 RM′000
Lease liabilities	178,928	210,981	269,713	325,365
Scheduled repayment of lease liabilities				
- Not later than one year	39,773	40,790	66,654	64,213
- Later than one year and not later than five years	107,561	129,456	169,023	216,891
- Later than five years	31,594	40,735	34,036	44,261
	178,928	210,981	269,713	325,365

for the financial year ended 30 June 2023

#### 24 OTHER LIABILITIES

		The G	iroup	The I	Bank
	-	2023	2022	2023	2022
	Note	RM′000	RM′000	RM'000	RM'000
Zakat		350	350	-	-
Post employment benefits obligation					
- defined contribution plan		300	278	300	278
Loan advance payment		3,666,443	3,829,956	3,016,782	3,120,374
Amount due to subsidiary companies		-	-	432,107	432,107
Treasury and cheque clearing		204,026	128,773	123,742	96,711
Cash collateral pledged for derivative transactions		298,332	213,260	299,063	213,260
Sundry creditors and accruals		418,352	348,272	401,350	331,414
Provision for bonus and staff related expenses		170,302	179,683	157,584	166,171
Expected credit losses on financial guarantee					
contracts	(a)	8,110	3,657	7,413	3,352
Provision for reinstatement cost		21,137	21,911	26,360	27,160
Settlement accounts		889,467	824,436	885,337	824,144
Others		269,231	199,774	216,712	177,888
		5,946,050	5,750,350	5,566,750	5,392,859

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

	Stage 1	Stage 2	Stage 3	
The Group	12 Months ECL RM'000	Lifetime ECL not credit impaired RM′000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
2023				
At 1 July	3,116	541	-	3,657
Changes in ECL due to transfer within stages	(4)	4	-	-
Transfer to Stage 1	41	(41)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	8,386	-	-	8,386
Financial assets derecognised	(496)	-	-	(496)
Changes due to change in credit risk	(4,839)	833	-	(4,006)
Exchange difference	555	14	-	569
At 30 June	6,718	1,392	-	8,110

for the financial year ended 30 June 2023

#### 24 OTHER LIABILITIES (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	
The Group	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022				
At 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	15	(199)	184	-
Transfer to Stage 1	70	(70)	-	-
Transfer to Stage 2	(55)	55	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	170	-	-	170
Financial assets derecognised	(1,143)	(4)	-	(1,147)
Changes due to change in credit risk	647	(425)	(184)	38
Changes in models/risk parameters	(92)	(38)	-	(130)
Exchange difference	141	22	-	163
At 30 June	3,116	541	-	3,657

	Stage 1	Stage 2	Stage 3	
The Bank	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2023				
At 1 July	2,849	503	-	3,352
Changes in ECL due to transfer within stages	(1)	1	-	-
Transfer to Stage 1	28	(28)	-	-
Transfer to Stage 2	(29)	29	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	8,386	-	-	8,386
Financial assets derecognised	(496)	-	-	(496)
Changes due to change in credit risk	(5,237)	844	-	(4,393)
Exchange difference	550	14	-	564
At 30 June	6,051	1,362	-	7,413

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#### 24 OTHER LIABILITIES (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	
The Bank	12 Months ECL RM′000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
2022				
At 1 July	1,979	1,169	-	3,148
Changes in ECL due to transfer within stages	20	(204)	184	-
Transfer to Stage 1	69	(69)	-	-
Transfer to Stage 2	(49)	49	-	-
Transfer to Stage 3	-	(184)	184	-
New financial assets originated	122	-	-	122
Financial assets derecognised	(57)	(4)	-	(61)
Changes due to change in credit risk	712	(443)	(184)	85
Changes in models/risk parameters	(66)	(37)	-	(103)
Exchange difference	139	22	-	161
At 30 June	2,849	503	-	3,352

#### 25 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans sold directly to Cagamas with recourse to the Group and the Bank. Under this agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

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#### 26 TIER 2 SUBORDINATED BONDS

	The G	The Group		Bank
	2023	2022	2023	2022
	RM′000	RM′000	RM'000	RM'000
RM1.5 billion Tier 2 subordinated notes, at par	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable	2,661	2,236	2,661	2,236
	1,502,661	1,502,236	1,502,661	1,502,236
Less: Unamortised discounts	(911)	(30)	(911)	(30)
	1,501,750	1,502,206	1,501,750	1,502,206

On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

On 26 June 2023, HLB had fully redeemed the RM500.0 million nominal value of this Sub Notes.

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

On 19 June 2023, the Bank issued a fourth tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 19 June 2028 (and thereafter) and due on 17 June 2033 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this fourth tranche of the Sub Notes is 4.20% per annum, which is payable semi-annually in arrears from the date of the issue.

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#### 27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
RM1.7 billion Multi-currency Additional Tier-1 and Additional				
Tier-1 Green capital securities, at par	1,700,000	1,700,000	1,700,000	1,700,000
Add: Interest payable	15,902	13,574	15,902	13,574
	1,715,902	1,713,574	1,715,902	1,713,574
Less: Unamortised discounts	(1,508)	(1,161)	(1,508)	(1,161)
Add: Fair value changes arising from fair value hedges	5,115	3,282	5,115	3,282
	1,719,509	1,715,695	1,719,509	1,715,695

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("Capital Securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, HLFG. The Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

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

On 29 March 2019, the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

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

On 14 October 2022, the Bank issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("HLB Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The HLB Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 4.70% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and as updated from time to time and for the refinancing of an existing tranche of RM400.0 million in nominal value of HLB Capital Securities issued previously under the HLB AT1 Programme on 30 November 2017.

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### 28 SHARE CAPITAL

	The Group and The Bank			
	202	3	2022	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At 1 July/30 June - ordinary shares with no par value	2,167,718	7,739,063	2,167,718	7,739,063

### 29 RESERVES

		The Group		The I	The Bank		
	Note	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM'000		
Retained profits	(a)	25,017,703	22,727,982	15,727,832	15,120,482		
Other reserves:							
Share options reserve	(b)	33,206	58,181	33,206	58,181		
Fair value reserve	(c)						
- Financial investments at FVOCI		(477,814)	(795,491)	(406,932)	(612,556)		
Exchange fluctuation reserve	(d)	1,381,199	1,318,819	376,631	271,093		
Cash flow hedge reserve	(e)	-	(274)	-	(274)		
Regulatory reserves	(f)	1,002,061	654,386	825,318	536,432		
		1,938,652	1,235,621	828,223	252,876		
		26,956,355	23,963,603	16,556,055	15,373,358		

(a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

(b) The share options reserve arose from share options and ordinary shares granted to eligible executives of the Bank pursuant to the Bank's ESS. Terms of the Bank's ESS are disclosed in Note 55 to the financial statements.

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### 29 RESERVES (CONTINUED)

(c) Movement of the fair value reserve is as follows:

		The Group		The E	Bank
	Note	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM'000
At 1 July		(795,491)	115,212	(612,556)	166,517
Equity instruments					
- Net fair value changes		14,264	14,286	14,264	14,286
Debt instruments					
- Net fair value changes		432,963	(1,094,755)	284,025	(943,700)
- Changes in expected credit losses		285	(537)	283	(542)
Reclassification to net profit on disposal and					
impairment		(26,557)	(66,794)	(26,557)	(66,794)
Deferred taxation	43	(88,233)	253,840	(66,391)	217,677
Share of fair value reserve of associated					
company		(15,045)	(16,743)	-	-
Net change in fair value reserve		317,677	(910,703)	205,624	(779,073)
At 30 June		(477,814)	(795,491)	(406,932)	(612,556)

- (d) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries and associated companies are recognised in exchange fluctuation reserve.
- (e) Cash flow hedge reserve arises from cash flow hedge activities undertaken by the Bank to hedge the changes in the cash flow of customer deposits arising from the movement of market interest rates. The reserve is non-distributable and has been reversed to the statements of income during the financial year ended 30 June 2023 following the maturity of the cash flow hedge.
- (f) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 July 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

During the financial year, an amount of RM347.7 million at Group and RM288.9 million at Bank respectively have been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2022: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

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### **30 TREASURY SHARES**

		The Group		The I	The Bank	
	Note	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000	
Purchase of own shares pursuant to Section 127,						
Companies Act 2016	(a)	431,829	431,829	431,829	431,829	
Treasury shares for ESS	(b)	276,937	281,861	276,937	281,861	
		708,766	713,690	708,766	713,690	

### (a) Purchase of own shares pursuant to Section 127 of the Companies Act 2016

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 23 October 2013, had approved the Bank's plan to purchase its own shares up to 10% of the issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

As at 30 June 2023, the total number of shares bought was 81,101,700 (2022: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

There was no resale or cancellation of treasury shares during the financial year. The number of issued shares with voting rights as at 30 June 2023 after deducting treasury shares purchased is 2,086,616,584 shares (2022: 2,086,616,584). Treasury shares have no rights to vote nor participation in dividends or other distribution.

### (b) Treasury shares for ESS

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

During the financial year ended 30 June 2023, a total of 668,524 ordinary shares were vested and transferred pursuant to the Bank's ESS. As at 30 June 2023, the total number of shares held was 37,596,086 (2022: 38,264,610).

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### 31a INTEREST INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM′000	2022 RM'000
Loans, advances and financing	5,566,975	4,127,244	5,259,695	3,898,648
Money at call and deposit placements with financial institutions	245,954	88,013	299,163	111,716
Securities purchased under resale agreements	867	758	867	758
Financial investments at FVOCI	871,880	669,165	871,573	672,355
Financial investments at amortised cost	669,395	619,506	668,660	618,725
Others	15,383	1,010	15,068	991
	7,370,454	5,505,696	7,115,026	5,303,193
Accretion of discount less amortisation of premium	(7,961)	(143,093)	(7,961)	(143,093)
Interest income earned on impaired loans, advances and				
financing during the financial year	41,342	26,008	40,548	25,950

### **31b** INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The	The Bank	
	2023	2022	2023	2022	
	RM'000	RM'000	RM′000	RM'000	
Financial assets at FVTPL	160,370	217,168	160,370	217,168	

### 32 INTEREST EXPENSE

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM'000	2022 RM′000
Deposits and placements of banks and other financial		70.247		00.404
institutions	370,036	79,316	405,917	93,136
Deposits from customers	2,667,726	1,572,067	2,508,100	1,478,074
Short-term placements	622,833	178,631	622,833	178,631
Tier 2 subordinated bonds	66,958	66,600	66,958	66,600
Multi-currency Additional Tier-1 capital securities	81,186	46,315	81,255	46,481
Recourse obligation on loans sold to Cagamas	29,263	15,450	29,263	15,450
Others	8,737	9,154	13,251	14,785
	3,846,739	1,967,533	3,727,577	1,893,157

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### 33 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2023	2022
	RM'000	RM'000
ncome derived from investment of depositors' funds and others	1,894,039	1,409,048
ncome derived from investment of shareholders' funds	259,365	168,618
ncome derived from investment of investment account	118,629	68,451
ncome attributable to depositors	(1,229,550)	(702,907
ncome attributable to depositors on investment account	(79,115)	(38,425
	963,368	904,785
Financing income earned on impaired financing and advances during the financial year	6,556	3,417

### 34 FINANCIAL EFFECTS OF LOSS FROM THE MODIFICATION OF CASH FLOWS

	The C	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	
Loss on modification of cash flow					
included in interest income (Note 31a)	-	(27,472)	-	(27,472)	
included in income from Islamic Banking business					
(Note 33)	-	(17,944)	-	-	
Total	-	(45,416)*	-	(27,472)*	

\* The Group and the Bank supported its customers impacted by the COVID-19 pandemic by providing targeted assistance to customers through various government support measures such as PEMULIH and URUS. As a result, the Group and the Bank recognised a loss from the modification of cash flows of the loan/financing.

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### 35 NON-INTEREST INCOME

	The Group		The B	The Bank	
	2023	2022	2023	2022	
	RM′000	RM'000	RM'000	RM'000	
Fee income					
Commissions	185,374	201,496	182,954	198,888	
Service charges and fees	38,491	37,999	37,434	37,151	
Guarantee fees	27,807	15,913	27,684	15,723	
Credit card related fees	210,975	193,684	210,975	193,684	
Commitment fees	37,124	36,696	35,603	35,236	
Fee on loans, advances and financing	50,576	49,760	42,517	37,589	
Other fee income	48,506	74,115	48,100	73,823	
	598,853	609,663	585,267	592,094	
Net income from securities					
Net realised gain/(loss) on financial instruments:					
- Financial assets at FVTPL	85,177	(58,657)	86,447	(59,239	
- Derivative financial instruments	(53,230)	20,792	(55,103)	19,328	
- Financial investments at FVOCI	34,943	87,887	34,943	87,887	
Dividend income from:					
- Subsidiary companies	-	-	330	36,800	
- Associated companies	-	-	5,992	334,115	
- Financial assets at FVTPL	88,826	101,001	89,277	102,768	
- Financial investments at FVOCI	2,175	406	2,175	406	
Net unrealised gain on revaluation of:					
- Financial assets at FVTPL	(5,403)	208,290	(6,631)	207,569	
- Derivative financial instruments	111,379	100,366	112,433	99,238	
Net realised gain/(loss) on fair value changes arising from					
fair value hedges	8,265	(7,489)	8,265	(7,489	
Net unrealised gain/(loss) on fair value changes arising					
from fair value hedges	853	(2,141)	853	(2,141	
	272,985	450,455	278,981	819,242	
Other income					
Foreign exchange gain/(loss)	144,564	(143,943)	143,357	(146,510	
Rental income	17,042	16,162	8,846	9,063	
Gain on disposal of property and equipment	233	1,555	138	1,458	
Other non-operating income	4,379	3,400	4,010	3,099	
	166,218	(122,826)	156,351	(132,890	
	1,038,056	937,292	1,020,599	1,278,446	

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### **36 OVERHEAD EXPENSES**

	The G	The Group		The Bank	
	2023 RM'000	2022 RM′000	2023 RM′000	2022 RM′000	
Personnel costs	1,202,989	1,153,764	939,249	914,252	
Establishment costs	532,023	520,575	446,877	445,199	
Marketing expenses	195,975	171,471	169,153	148,190	
Administration and general expenses	302,295	252,566	298,784	249,088	
	2,233,282	2,098,376	1,854,063	1,756,729	

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries.

### (i) Personnel costs comprise the following:

	The Group		The	The Bank	
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM′000	
Salaries, bonus and allowances	1,140,724	1,076,567	892,446	849,983	
Medical expenses	31,483	29,978	24,982	24,249	
Training and convention expenses	16,794	14,658	14,047	12,880	
Staff welfare	9,507	12,096	7,476	9,920	
Other employees benefits	4,481	20,465	298	17,220	
	1,202,989	1,153,764	939,249	914,252	

### (ii) Establishment costs comprise the following:

	The Group		The	The Bank	
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM′000	
Depreciation of property and equipment	110,039	121,499	92,850	103,137	
Depreciation of right-of-use assets	48,456	50,119	71,556	73,875	
Amortisation of intangible assets	58,132	53,962	50,869	48,107	
Rental of premises	2,438	2,090	2,237	2,317	
Information technology expenses	226,163	210,468	189,586	181,991	
Security services	20,937	19,354	15,705	14,482	
Electricity, water and sewerage	21,546	20,797	16,101	15,845	
Hire of plant and machinery	13,671	12,575	2,889	1,342	
Others	30,641	29,711	5,084	4,103	
	532,023	520,575	446,877	445,199	

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### **36 OVERHEAD EXPENSES (CONTINUED)**

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2023	2022	2023	2022
	RM′000	RM′000	RM′000	RM′000
Advertisement and publicity	31,092	29,175	27,926	26,713
Sales commission and credit card related fees	146,393	127,692	127,933	111,541
Others	18,490	14,604	13,294	9,936
	195,975	171,471	169,153	148,190

### (iv) Administration and general expenses comprise the following:

	The G	The Group		The Bank	
	2023	2022	2023	2022	
	RM′000	RM'000	RM′000	RM'000	
Teletransmission expenses	20,410	21,541	19,858	21,019	
Stationery and printing expenses	10,579	11,001	10,006	10,470	
Professional fees	108,835	93,378	103,857	89,707	
Insurance fees	45,365	33,438	37,928	28,443	
Stamp, postage and courier	13,948	14,227	13,650	13,924	
Travelling and transport expenses	3,533	2,711	2,718	2,179	
Registration and license fees	8,774	8,805	7,562	7,638	
Brokerage and commission	11,926	10,981	7,700	6,791	
Credit card fees	74,168	48,527	74,168	48,527	
Others	4,757	7,957	21,337	20,390	
	302,295	252,566	298,784	249,088	

The above expenditure includes the following statutory disclosures:

	The Group		The	The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000	
Auditors' remuneration:					
Malaysian firm					
- statutory audit	2,210	2,025	1,975	1,778	
- regulatory related fees	908	390	602	275	
- tax compliance	70	67	43	41	
- other services	255	250	255	250	
PwC overseas affiliated firms					
- statutory audit	1,052	731	771	596	
<ul> <li>regulatory related fees</li> </ul>	223	194	223	194	
- tax compliance	101	93	101	93	
Loss on disposal of property and equipment	5	3	5	3	
Property and equipment disposal/written off	1,134	722	727	629	
Intangible assets disposal/written off	2,614	737	2,606	416	

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### 37 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on loans, advances and financing:				
- expected credit losses	343,095	393,506	176,517	151,453
Impaired loans, advances and financing:				
- written off	29,519	20,038	22,962	13,893
- recovered from bad debt written off	(257,232)	(249,970)	(211,015)	(212,302)
	115,382	163,574	(11,536)	(46,956)

### 38 WRITTEN BACK OF IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER ASSETS

	The Group		The Bank	
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Expected credit losses and impairment losses on:				
- Financial investments at FVOCI	184	(613)	185	(620)
- Financial investments at amortised cost	(53)	(1)	-	(24)
- Cash and short-term funds	(155)	85	(114)	435
- Deposits and placements with banks and other financial				
institutions	(282)	(322)	(3,039)	(182)
	(306)	(851)	(2,968)	(391)

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### 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) Hume Cement Sdn Bhd Hume Construction Sdn Bhd Hume Plastics (Malaysia) Sdn Berhad Hume Quarry (Sarawak) Sdn Bhd Hongvilla Development Sdn Bhd HIMB Overseas Limited HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 13	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 14	Associated companies of the Group
Key management personnel	<ul><li>The key management personnel of the Bank consists of:</li><li>All Directors of the Bank and nine members of senior management of the Bank</li></ul>
Related parties of key management personnel deemed as related to the Bank	(i) Close family members and dependents of key management personnel
	(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

for the financial year ended 30 June 2023

### 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Related party transactions and balances

The Group	Parent company RM′000	Other related companies RM′000	Associated companies RM′000	Key management personnel RM′000
2023				
Income				
Interest:				
- loans	-	3,203	-	145
<ul> <li>redeemable preference shares</li> </ul>	-	3,037	-	-
Commitment fee and bank charges	-	-	-	39
Dividend income	-	79,457	-	-
Commission on Group products/services sold	-	54,817	-	-
Brokerage commission	-	99	-	-
Reimbursement of shared service cost	511	10,775	-	-
	511	151,388	-	184
Expenditure				
Rental and maintenance		15,050	-	-
Insurance	54	37,150	-	-
Interest on current accounts and fixed deposits	-	2,578	-	1,913
Interest on short-term placements	44	10,917	-	4,093
Interest on subordinated notes and capital securities	-	3,990	-	-
Management fees	6,729	45,924	-	-
Other miscellaneous expenses	3,134	8,357	-	-
	9,961	123,966	-	6,006
Arrente due from				
Amounts due from Current accounts			21 715	
Redeemable preference shares	-	-	21,715	-
Loans		25,000 35,172		3,105
Wholesale funds		1,307,176		3,105
Derivative assets		136,668		
Credit card balances		130,008	_	699
Advance rental and deposit		2,530		
Others		146	-	-
oucis	-	1,506,692	21,715	3,804
		.,		5,001
Amounts due to				
Current accounts and fixed deposits	-	42,604	-	136,665
Short-term placements	2,501	395,423	-	93,429
Subordinated notes and capital securities	-	95,000	-	-
Derivative liabilities	-	10,149	-	-
Others	278	1,192	-	-
	2,779	544,368	-	230,094
Commitments and contingencies				
Derivative related contracts	-	1,893,395	-	-

for the financial year ended 30 June 2023

### 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

		Other		Key
	Parent	related	Associated	management
	company	companies	companies	personnel
The Group	RM'000	RM′000	RM'000	RM'000
2022				
Income				
Interest:				
- Ioans	-	3,446	-	78
- redeemable preference shares	-	132	-	-
Commitment fee and bank charges	-	-	-	24
Dividend income	-	89,174	-	-
Commission on Group products/services sold	-	46,292	-	-
Brokerage commission	-	1,357	-	-
Reimbursement of shared service cost	662	10,065	-	-
	662	150,466	-	102
Expenditure				
Rental and maintenance	-	14,095	-	-
Insurance	65	35,492	-	-
Interest on current accounts and fixed deposits	-	1	-	218
Interest on short-term placements	58	3,755	-	2,340
Interest on subordinated notes and capital securities	-	200	-	-
Management fees	4,859	41,842	-	-
Other miscellaneous expenses	285	6,947	-	-
	5,267	102,332	-	2,558
Amounts due from				
Current accounts	-	-	21,809	-
Redeemable preference shares	-	25,000	-	-
Loans	-	87,745	-	3,718
Wholesale funds	-	2,776,857	-	-
Derivative assets	-	124,149	-	-
Credit card balances	-	-	-	407
Advance rental and deposit	-	5,756	-	-
Others	115	261	-	-
	115	3,019,768	21,809	4,125
Amounts due to				
Current accounts and fixed deposits	-	25,817	-	31,368
Short-term placements	17,504	258,619	-	148,466
Subordinated notes and capital securities		24,993	-	-
Derivative liabilities	-	10,849	-	-
Others	-	15,751	-	-
	17,504	336,029	-	179,834
Commitments and contingencies				
generes				

for the financial year ended 30 June 2023

### **39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

The Bank	Parent company RM′000	Subsidiary companies RM′000	Associated companies RM′000	Other related companies RM′000	Key management personnel RM′000
2023					
Income					
Interest:					
- Ioans	-	11,870	-	3,203	145
- interbank placements	-	51,498	-	-	-
- current accounts	-	-	325	-	-
- redeemable preference shares	-	-	-	3,037	-
- subordinated facilities	-	6,089	-	-	-
Dividend income	-	330	5,992	79,457	-
Commitment fee and bank charges	-	-	-	-	39
Commission on Group products/					
services sold	-	-	-	54,817	-
Brokerage commission	-	-	-	99	-
Reimbursement of shared service cost	511	231,599	-	10,775	-
	511	301,386	6,317	151,388	184
Expenditure					
Rental and maintenance	-	921	_	15,050	_
Insurance	54	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	_	37,150	_
Interest on current accounts and fixed	54	_	_	57,150	_
deposits	-	1,153	-	1	1,859
Interest on short-term placements	44	-	-	10,917	4,093
Interest on lease liabilities	-	4,851	-	-	-
Interest on interbank placements	_	32,403	-	_	-
Interest on subordinated notes and		,			
capital securities	-	-	-	3,990	-
Management fees	6,729	-	-	45,924	-
Other miscellaneous expenses	3,134	2,930	-	8,357	-
· ·	9,961	42,258	-	121,389	5,952

for the financial year ended 30 June 2023

### 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Bank	Parent company RM′000	Subsidiary companies RM′000	Associated companies RM′000	Other related companies RM′000	Key management personnel RM′000
2023					
Amounts due from					
Interbank placements	-	560,622	-	-	-
Current accounts	-	-	21,715	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	287,774	-	35,172	3,105
Right-of-use assets	-	94,149	-	-	-
Wholesale funds	-	-	-	1,380,727	-
Credit card balances	-	-	-	-	699
Derivative assets	-	69,236	-	136,668	-
Advance rental and deposit	-	8,783	-	2,530	-
Intercompany settlement	-	143,532	-	-	-
Others	-	330	-	146	-
	-	1,164,426	21,715	1,580,243	3,804
Amounts due to					
Interbank placements	-	850,156	-	-	-
Current accounts and fixed deposits	-	53,823	-	42,604	134,013
Short-term placements	2,501	-	-	395,423	93,429
Subordinated notes and capital					
securities	-	-	-	95,000	-
Derivative liabilities	-	13,213	-	10,149	-
Lease liabilities	-	102,688	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Intercompany settlement	-	432,107	-	-	-
Others	-	-	-	122	-
	2,501	1,458,927	-	543,298	227,442
Commitments and contingencies		2 075 507		1 002 205	
Derivative related contracts	-	2,075,506	-	1,893,395	-

for the financial year ended 30 June 2023

### **39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

The Bank	Parent company RM′000	Subsidiary companies RM′000	Associated companies RM'000	Other related companies RM′000	Key management personnel RM′000
2022					
Income					
Interest:					
- loans	-	9,223	-	3,446	78
<ul> <li>interbank placements</li> </ul>	-	11,543	-	-	-
- current accounts	-	-	329	-	-
- negotiable instruments of deposits	-	3,502	-	-	-
- redeemable preference shares	-	-	-	132	-
- subordinated facilities	-	2,914	-	-	-
Dividend income	-	36,800	334,115	89,174	-
Commitment fee and bank charges	-	-	-	-	24
Commission on Group products/ services sold	-	-	-	46,292	-
Brokerage commission	-	-	-	1,357	-
Reimbursement of shared service cost	662	209,376	-	10,065	-
	662	273,358	334,444	150,466	102
Expenditure					
Rental and maintenance	-	918	-	14,053	-
Insurance	65	-	-	35,492	-
Interest on current accounts and fixed deposits	-	840	-	1	164
Interest on short-term placements	58	-	-	3,755	2,340
Interest on lease liabilities	-	5,995	-	-	
Interest on interbank placements	-	3,174	-	-	-
Interest on subordinated notes and		5,171			
capital securities	-	-	-	200	-
Management fees	4,859	-	-	41,842	-
Other miscellaneous expenses	285	536	-	6,947	-
	5,267	11,463	-	102,290	2,504

for the financial year ended 30 June 2023

### 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Bank	Parent company RM′000	Subsidiary companies RM′000	Associated companies RM′000	Other related companies RM′000	Key management personnel RM′000
2022					
Amounts due from					
Interbank placements	-	2,844,303	-	-	-
Current accounts	-	-	21,809	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	295,929	-	87,745	3,718
Right-of-use assets	-	123,664	-	-	-
Wholesale funds	-	-	-	2,859,384	-
Credit card balances	-	-	-	-	407
Derivative assets	-	29,775	-	124,149	-
Advance rental and deposit	-	8,783	-	5,756	-
Intercompany settlement	-	90,809	-	-	-
Others	115	301	-	261	-
	115	3,393,564	21,809	3,102,295	4,125
Amounts due to					
Interbank placements	-	698,484	-	-	-
Current accounts and fixed deposits	-	49,186	-	25,817	28,896
Short-term placements	17,504	-	-	258,619	148,466
Subordinated notes and capital securities	-	-	-	24,993	-
Derivative liabilities	-	3,554	-	10,849	-
Lease liabilities	-	126,538	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Intercompany settlement	-	432,107	-	-	-
	17,504	1,316,809	-	320,278	177,362
Commitments and contingencies		983,352		1,954,308	

for the financial year ended 30 June 2023

### **39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

### (b) Related party transactions and balances (continued)

	The Group a	nd The Bank
	2023	2022
	RM′000	RM'000
The approved limit on loans, advances and financing for key management personnel	10,544	12,414

### (c) Key management personnel

Key management compensation

	The C	Group	The I	Bank
	2023 RM'000	2022 RM'000	2023 RM′000	2022 RM′000
Salaries and other short-term employee benefits	43,388	28,186	43,388	28,186
Director fees	1,581	1,381	1,388	1,198
ESS expenses	8,190	14,306	8,190	14,306

Included in the above is the Directors' remuneration which is disclosed in Note 40 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No impairment allowances were required in 2023 and 2022 for loans made to key management personnel.

### (d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The G	iroup	The l	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Outstanding credit exposures with connected parties	3,478,898	2,629,055	3,108,181	2,554,151
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.72%	1.40%	2.03%	1.77%
Percentage of outstanding credit exposures with connected parties which is non-performing or in				
default	0.0000%	0.0000%	0.0000%	0.0000%

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

# (e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 29 April 2022 are as follows:

The Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on lease liabilities RM'000	Interest on deposits from customers RM <sup>(</sup> 000	Interest on subordinated notes and capital securities RM'000	Rental and maintenance RM <sup>'</sup> 000	Management fees RM <sup>^</sup> 000	Insurance RM <sup>,</sup> 000	Others RM <sup>^</sup> 000
2023								
Malaysia		4,851	11,995	3,990	4,934	52,308	37,126	13,963
Singapore		•	120	•	8,127			12
Hong Kong	•	•	ı	•	2,910	345	10	437
Vietnam	25,356	•	ı	•				6
Cambodia	7,047	•		•	•		68	3
	32,403	4,851	12,115	3,990	15,971	52,653	37,204	14,421
7707								
Malaysia		5,995	4,413	200	5,735	46,376	35,545	7,364
Singapore			241		6,408		·	
Hong Kong			ı		2,828	325	12	373
Vietnam	2,523		ı					·
Cambodia	651		1					31
	3,174	5,995	4,654	200	14,971	46,701	35,557	7,768

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### Notes to the Financial Statements for the financial year ended 30 June 2023

# CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION 40

Forms of remuneration in aggregate for CEO and all Directors and for the financial year are as follows:

		The Group	٩			The Bank	k	
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM <sup>^</sup> 000	Estimated money value for benefits- in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM <sup>,000</sup>	Estimated money value for benefits- in-kind RM'000	Total RM'000
2023 CEO Mr Domenic Fuda <sup>(1)</sup>	27,129		6,173	33,302	27,129		6, 173	33,302
<b>Executive Director</b> Mr Tan Kong Khoon								
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan								•
MI KWEK LEIIJ HAI MS Chok Kwee Bee <sup>(2)</sup>	- 24	- 130		- 154	- 24	- 130		- 154
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(3)</sup>	45	311		356	45	311		356
YBhg Datuk Dr Md Hamzah bin Md Kassim	51	388		439	19	195		214
Ms Lau Souk Huan	46	332		378	46	332		378
Ms Cheong Soo Ching	32	256		288	32	256		288
Puan Fa'izah binti Mohamed Amin (4)	14	164		178	14	164		178
	212#	1,581		1,793	180#	1,388		1,568
Directors of subsidiaries	2,588	910	500	3,998				•
Total CEO and Directors' remuneration	29,929	2,491	6,673	39,093	27,309	1,388	6,173	34,870
		-						

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

Retired with effect from 30 June 2023 Retired with effect from 1 December 2022

(1) (2) (3) (3)

Retired with effect from 21 June 2023 Appointed with effect from 1 September 2022

Directors' meeting allowances

#

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' of the Directors' & Officers' of the Directors' & Officers' of the Directors' & Officers' Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Each of the Sank was RM60,561 and RM51,376 respectively. Note:

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### Notes to the Financial Statements for the financial year ended 30 June 2023

# CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION (CONTINUED) 40

Forms of remuneration in aggregate for CEO and all Directors and for the financial year are as follows: (continued)

		The Group	<u>e</u>			The Bank	k	
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM <sup>,</sup> 000	Estimated money value for benefits- in-kind RM'000	Total RM <sup>,</sup> 000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM <sup>000</sup>	Estimated money value for benefits- in-kind RM'000	Total RM′000
<b>2022</b> CEO Mr Domenic Fuda	12,525		5,514	18,039	12,525		5,514	18,039
<b>Executive Director</b> Mr Tan Kong Khoon								
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	I	,		ı	ı	ı		
Mr Kwek Leng Hai	I							
Ms Chok Kwee Bee	32	290		322	32	290		322
YBhg Dato' Nicholas John Lough @ Sharif								
Lough bin Abdullah	35	300		335	35	300		335
YBhg Datuk Dr Md Hamzah bin Md Kassim	35	358		393	16	175		191
Ms Chong Chye Neo $st$	11	122		133	11	122		133
Ms Lau Souk Huan	33	293		326	33	293		326
Ms Cheong Soo Ching **		18		19	-	18		19
	147#	1,381		1,528	128#	1,198		1,326
Directors of subsidiaries	2,761	710	96	3,567				I
Total CEO and Directors' remuneration	15,433	2,091	5,610	23,134	12,653	1,198	5,514	19,365

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

Retired with effect from 21 February 2022 Appointed with effect from 18 May 2022

\*\*

Directors' meeting allowances

The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof. Note:

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the holding company was RM54,550 and the apportioned amount of the said premium paid by the Group and the Bank was RM50,405 and RM58,435 respectively.

for the financial year ended 30 June 2023

### 41 TAXATION

		The G	гоир	The l	Bank
	Note	2023 RM′000	2022 RM′000	2023 RM'000	2022 RM′000
Income tax:					
- Current year		818,960	1,105,607	656,255	1,014,643
- Over accrual in prior years		(40,595)	(27,157)	(24,020)	(25,837)
		778,365	1,078,450	632,235	988,806
Deferred tax	19	30,070	(933)	19,588	(4,465)
Taxation		808,435	1,077,517	651,823	984,341

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The G	roup	The I	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Profit before taxation	4,626,631	4,366,800	2,728,859	3,196,268
Tax calculated at a rate of 24%	1,110,391	1,048,032	654,926	767,104
Effects of incremental tax rate (Note)	-	309,663	-	277,372
Tax effects of:				
- Income not subject to tax	(19,188)	(39,988)	(23,822)	(63,115)
- Share of net income of foreign associated companies	(309,467)	(247,318)	-	-
- Expenses not deductible for tax purposes	67,294	34,285	44,739	28,817
Over accrual in prior years	(40,595)	(27,157)	(24,020)	(25,837)
Taxation	808,435	1,077,517	651,823	984,341

Note: In order to support the Government's initiative to assist parties affected by the pandemic, for year of assessment ('YA') 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

	The G	iroup
	2023	2022
	RM'000	RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in		
the financial statements *	28,248	28,248

\* Under the Malaysian Finance Act 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from YA 2019.

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### 42 EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The G	iroup	The I	Bank
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net profit attributable to equity holders	3,818,196	3,289,283	2,077,036	2,211,927
Weighted average number of ordinary shares in issue ('000)	2,048,753	2,048,093	2,048,753	2,048,093
Basic earnings per share (sen)	186.4	160.6	101.4	108.0

### Diluted earnings per share

The Bank has two categories of dilutive potential ordinary shares, which are the share options and ordinary shares granted under the ESS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The G	roup	The l	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Net profit attributable to equity holders	3,818,196	3,289,283	2,077,036	2,211,927
Weighted average number of ordinary shares in issue ('000)	2,048,753	2,048,093	2,048,753	2,048,093
- adjustment for ESS	805	1,227	805	1,227
	2,049,558	2,049,320	2,049,558	2,049,320
Diluted earnings per share (sen)	186.3	160.5	101.3	107.9

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### 43 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

		2023			2022	
			Net of			Net of
	Before tax RM'000	Tax benefits RM′000	tax amount RM'000	Before tax RM'000	Tax benefits RM′000	tax amount RM'000
The Group						
Debt instruments at fair value through other comprehensive income - net fair value changes and changes in						
expected credit losses	406,691	(88,233)	318,458	(1,162,086)	253,840	(908,246)
Cash flow hedge - net fair value gain/						
(loss)	362	(88)	274	7,574	(1,817)	5,757
<b>The Bank</b> Debt instruments at fair value through other comprehensive income						
<ul> <li>net fair value changes and changes in expected credit losses</li> </ul>	257,751	(66,391)	191,360	(1,011,036)	217,677	(793,359)
Cash flow hedge						
- net fair value gain/						
(loss)	362	(88)	274	7,574	(1,817)	5,757

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### 44 DIVIDENDS

		The Group a	nd The Bank	
	20	23	20	22
	Gross dividends per share sen	Amount of dividends net of tax RM'000	Gross dividends per share sen	Amount of dividends net of tax RM'000
Final dividend paid				
- for financial year ended 30 June 2022	37.0	757,932	-	-
- for financial year ended 30 June 2021	-	-	35.2	721,238
Interim dividend paid				
- for financial year ended 30 June 2023	21.0	430,294	-	-
- for financial year ended 30 June 2022	-	-	18.0	368,704
	58.0	1,188,226	53.2	1,089,942

The Directors have declared a final single tier dividend of 38.0 sen per share in respect of the financial year ended 30 June 2023. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2024.

for the financial year ended 30 June 2023

### 45 COMMITMENTS AND CONTINGENCIES

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

The notional amounts of the commitments and contingencies constitute the following:

	The G	iroup	The I	Bank
	2023	2022	2023	2022
	RM'000	RM′000	RM′000	RM′000
Direct credit substitutes *	224,515	137,103	217,046	129,077
Certain transaction related contingent items	2,594,402	2,024,547	1,819,394	1,444,276
Short-term self liquidating trade related contingencies	1,063,924	853,412	849,981	803,334
Irrevocable commitments to extend credit:				
- maturity more than one year	17,073,556	17,538,803	12,463,084	12,942,713
- maturity less than one year	26,457,159	23,913,907	21,025,525	19,450,920
Foreign exchange related contracts: ^				
- less than one year	63,906,468	55,995,785	60,747,086	51,999,925
- one year to five years	7,321,941	5,944,644	7,321,941	5,987,312
- over five years	737,005	396,495	737,005	396,495
Interest rate related contracts: ^				
- less than one year	45,361,203	34,692,744	45,361,203	34,692,744
- one year to five years	81,071,444	52,644,892	81,492,156	52,835,368
- over five years	4,399,525	4,395,228	4,291,746	4,208,323
Equity related contracts: ^				
- less than one year	487,429	245,878	487,429	245,878
- one year to five years	668,393	102,699	668,393	102,699
- over five years	-	270,542	-	270,542
Credit related contracts: ^				
- less than one year	121,391	-	121,391	-
- over five years	1,225,853	938,327	1,225,853	938,327
Commodity related contracts:				
- less than one year	554,082	438,428	554,082	438,428
- one year to five years	-	493,416	-	493,416
Unutilised credit card lines	6,902,344	7,090,121	6,902,344	7,090,121
	260,170,634	208,116,971	246,285,659	194,469,898

These derivatives are revalued at gross position basis and the fair value have been reflected in Note 10 to the financial statements as derivatives assets or derivatives liabilities.

\* Included in direct credit substitutes above are the financial guarantee contracts of RM163,630,721 and RM163,599,720 at Group and Bank, respectively (2022: RM79,527,616 and RM79,527,616 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

for the financial year ended 30 June 2023

### 46 CAPITAL COMMITMENTS

The capital commitments are in respect of:

- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

	The C	iroup	The I	Bank
	2023 RM′000	2022 RM'000	2023 RM′000	2022 RM'000
	KM 000	KM 000	KM 000	RM 000
Authorised and contracted for	83,867	88,953	78,697	84,718
Authorised but not contracted for	17,913	21,785	14,593	20,172
	101,780	110,738	93,290	104,890

### 47 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad, respectively. Both companies are incorporated in Malaysia.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

Overview and organisation

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Bank's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is supported by the Board Risk Management Committee ("BRMC") in approving the Bank's risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the Group Risk Management ("GRM") function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The core responsibilities of the GRM function is to support line management in identification and management of key and emerging risks for the Bank, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Bank regularly reviews its risk management framework to reflect changes in market, products, regulatory requirements and emerging best market practices.

### **Credit Risk Management**

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

The Bank has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Bank's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (continued)

### Credit Risk Management (continued)

For any new products/product variation, credit risk assessment also forms part of the new product/product variation signoff process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered. In addition, the Bank's credit risk assessment methods are progressively being enhanced to consider the effects of climate-related risks, as well as, its impact on the ability and willingness of customers to honour their credit obligations.

The Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

The Bank's Independent Credit Review function conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Bank's management.

### **Market Risk Management**

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk is identified, measured and controlled through various types of limits. In addition, the Bank regularly reviews the interest rate outlook and develops strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Bank measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

The Bank also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (continued)

### Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirements, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group Assets and Liabilities Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Bank has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there are adequate liquidity contingency funds to meet potential shortfalls in the event of a liquidity crisis. Furthermore, the Bank has established a recovery plan framework, which identifies recovery thresholds to be monitored for liquidity, cash outflow and capital-related ratios. The framework also includes governance process for escalation of excess in thresholds and a strategy for the Bank's execution of a suite of recovery options in order to restore long-term viability, in idiosyncratic and system-wide stress events.

### **Crisis Related Risk Management**

Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.

The Bank has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a crisis. The Bank remains cognizant of the need to continuously build and maintain resilience, through close and active monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests our preparedness to navigate through crisis conditions and has subjected its Business Continuity Management ("BCM") plans and processes through challenges based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.

### **Environment, Social and Governance Risk Management**

Environment, Social and Governance ("ESG") Risks are a complex collective action problem that gives rise to financial loss arising from current or prospective impacts of ESG factors. Financial risks may arise from Physical, Transition and Liability Risk which spreads across most key assets of the Bank.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (continued)

### Environment, Social and Governance Risk Management (continued)

The Bank has integrated ESG and sustainability considerations within its business practices to ensure creation of long-term socioeconomic benefits for the communities it serves. The Bank has in place a Sustainability Risk Governance Framework which is aligned to the Bank's overall Risk Management Framework. This provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting ESG risks. The Sustainability Risk Governance Framework acts as a guide for the Bank to adopt pragmatic measures to ensure sustainable value to its stakeholders whilst generating a positive impact to the communities and the environment that the Bank operates in.

The Bank's ESG Policy and Assessment Framework incorporates ESG considerations in the Bank's credit evaluation of its corporate customers as the transition to a low carbon and climate-resilient economy. This framework includes an internal ESG risk rating system and additional guidelines to deal with high-risk sectors such as forestry, metals and mining/ quarrying, non-renewable energy and palm oil.

Although ESG presents risks, the Bank has introduced initiatives that mitigate and adapt to these risks which allows it to capitalise on potential opportunities to enhance resource efficiencies, adopt low-emission energy sources, develop new green products and services, access new markets and further strengthen its resiliency against risks in general.

Recognising the urgency for financial institutions to accelerate efforts to manage climate-related risks, the Bank has established ESG related strategies, practices, processes and procedures to ensure it is able to continue to deliver long-term value to its stakeholders in tandem with ESG related developments and aspirations.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

### (i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities carried at fair value.

	The Gr	oup	The Ba	nk
	Impact on profit after tax RM′000	Impact on equity RM′000	Impact on profit after tax RM′000	Impact on equity RM'000
2023				
Increase/(Decrease)				
+100 basis points ('bps')	105,584	(592,562)	102,594	(509,424)
-100 bps	(105,584)	592,562	(102,594)	509,424
2022				
Increase/(Decrease)				
+100 basis points ('bps')	117,071	(489,276)	121,733	(395,710)
-100 bps	(117,071)	489,276	(121,733)	395,710

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures of the Group and the Bank:

The Group	2023 RM′000	2022 RM′000
Asset/(Liability)		
United States Dollar ("USD")	(496,728)	(229,978)
Euro ("EUR")	42,693	7,247
Great Britain Pound ("GBP")	30,143	3,388
Singapore Dollar ("SGD")	(119,925)	(190,659)
Australian Dollar ("AUD")	(16,118)	21,696
Chinese Yuan Renminbi ("CNY")	(16,116)	(227,065)
Hong Kong Dollar ("HKD")	(220,890)	(160,379)
Others	275,243	295,445
	(521,698)	(480,305)

The Bank	2023 RM′000	2022 RM'000
Asset/(Liability)		
United States Dollar ("USD")	(389,951)	(182,477)
Euro ("EUR")	47,735	2,856
Great Britain Pound ("GBP")	7,070	(3,697)
Singapore Dollar ("SGD")	(140,645)	(191,968)
Australian Dollar ("AUD")	(26,273)	19,080
Chinese Yuan Renminbi ("CNY")	(15,192)	(243,205)
Hong Kong Dollar ("HKD")	(228,759)	(167,819)
Others	143,121	241,985
	(602,894)	(525,245)

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

### (ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows:

The Group	2023 RM′000	2022 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	3,775	1,748
Euro ("EUR")	(324)	(55)
Great Britain Pound ("GBP")	(229)	(26)
Singapore Dollar ("SGD")	911	1,449
Australian Dollar ("AUD")	122	(165)
Chinese Yuan Renminbi ("CNY")	122	1,726
Hong Kong Dollar ("HKD")	1,679	1,219
Others	(2,092)	(2,245)
	3,964	3,651
+1%		
United States Dollar ("USD")	(3,775)	(1,748)
Euro ("EUR")	324	55
Great Britain Pound ("GBP")	229	26
Singapore Dollar ("SGD")	(911)	(1,449)
Australian Dollar ("AUD")	(122)	165
Chinese Yuan Renminbi ("CNY")	(122)	(1,726)
Hong Kong Dollar ("HKD")	(1,679)	(1,219)
Others	2,092	2,245
	(3,964)	(3,651)

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

### (ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows: (continued)

The Bank	2023 RM'000	2022 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	2,964	1,387
Euro ("EUR")	(363)	(22)
Great Britain Pound ("GBP")	(54)	28
Singapore Dollar ("SGD")	1,069	1,459
Australian Dollar ("AUD")	200	(145)
Chinese Yuan Renminbi ("CNY")	115	1,848
Hong Kong Dollar ("HKD")	1,739	1,275
Others	(1,088)	(1,839)
	4,582	3,991
+1%		
United States Dollar ("USD")	(2,964)	(1,387)
Euro ("EUR")	363	22
Great Britain Pound ("GBP")	54	(28)
Singapore Dollar ("SGD")	(1,069)	(1,459)
Australian Dollar ("AUD")	(200)	145
Chinese Yuan Renminbi ("CNY")	(115)	(1,848)
Hong Kong Dollar ("HKD")	(1,739)	(1,275)
Others	1,088	1,839
	(4,582)	(3,991)

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

# (b) Market risk (continued)

## Interest/Profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

			2	2023				
			Non-tra	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0ver 5	Non-interest/	Trading	
	1 month RM′000	months RM′000	months RM′000	years RM′000	years RM'000	profit rate sensitive RM'000	book RM'000	Total RM′000
Financial assets								
Cash and short-term funds	6,380,482		I	1	1	1,826,321	•	8,206,803
Deposits and placements with banks and other financial								
institutions		280,607	146,781		1	9,489	•	436,877
Financial assets at fair value through profit or loss		•	•	•	1	1,672,161	3,982,776	5,654,937
Financial investments at fair value through other								
comprehensive income	1,762,429	2,461,825	1,956,743	26,621,416	730,756	353,501	•	33,886,670
Financial investments at amortised cost	719,795	1	938,218	28,200,667	1,036,012	299,373	1	31,194,065
Loans, advances and financing								
- performing	147,202,285	3,079,387	1,510,768	7,828,961	19,650,706	I		179,272,107
- impaired ~	60,276	9,123	6,134	89,603	465,604		•	630,740
Other assets	100,381		I	1		2,233,739	•	2,334,120
Derivative financial instruments								
- trading derivatives		1	I	I	1		2,157,911	2,157,911
- hedging derivatives		1	I	6,647	3,866			10,513
Statutory deposits with Central Banks				1		3,396,920		3,396,920
Total financial assets	156,225,648	5,830,942	4,558,644	62,747,294	21,886,944	9,791,504	6,140,687	267,181,663

This represents outstanding impaired loans after deducting expected credit losses.

**298 % Hongleong** Bank Berhad • FINANCIALS

Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

			The	The Group				
			2	2023				
			Non-tra	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0ver 5	Non-interest/	Trading	
	1 month	months	months	years	years	profit rate sensitive	book	Total
	RM <sup>*</sup> 000	RM'000	RM' 000	RM'000	RM'000	RM'000	RM' 000	RM'000
Financial liabilities								
Deposits from customers	78,758,174	41,884,491	43,922,638	5,364,619	841,095	40,880,802	ı	211,651,819
Investment accounts of customers	448,208	859,166	930,546	ı	1	12,593	ı	2,250,513
Deposits and placements of banks and other financial institutions	2,800,306	4,945,210	310,766	1,478,344	22,139	37,061	ı	9,593,826
Obligations on securities sold under repurchase agreements	2,678,098	4,718,922		ı		2,563	•	7,399,583
Bills and acceptances payable	4,314	29,963	30,168	ı	•	146,986	1	211,431
Lease liabilities	3,512	6,785	29,476	107,561	31,594	•	1	178,928
Other liabilities	1,894	434	1,019	183	•	5,635,151	1	5,638,681
Derivative financial instruments								
- trading derivatives			•	ı	'		2,387,851	2,387,851
- hedging derivatives		•	ı	35	•		•	35
Recourse obligation on loans sold to Cagamas		•		2,950,040	'	22,180	•	2,972,220
Tier 2 subordinated bonds		•	1,000,000	499,089	'	2,661	•	1,501,750
Multi-currency Additional Tier 1 Capital Securities			399,345	1,304,261		15,903	•	1,719,509
Total financial liabilities	84,694,506	52,444,971	46,623,958	11,704,132	894,828	46,755,900	2,387,851	245,506,146
Net interest sensitivity gap	71,531,142	(46,614,029)	(42,065,314)	51,043,162	20,992,116			
Financial guarantees		•				1,044,877		
Credit related commitments and contingencies	ı			ı	1	50,433,059		
Treasury related commitments and contingencies (hedging)		•		469,048	72,619	•		
Net interest sensitivity gap			•	469,048	72,619	51,477,936		

Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Group

			2	2022				
			Non-tra	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0 ver 5	Non-interest/	Trading	
	1 month	months	months	years	years	profit rate sensitive	book	Total
	RM'000	RM'000	RM′000	RM'000	RM′000	RM'000	RM'000	RM'000
Financial assets								
Cash and short-term funds	4,777,742	,	ı	,	,	1,316,987		6,094,729
Deposits and placements with banks and other financial								
institutions		495,601	340,408		I	6,497		842,506
Financial assets at fair value through profit or loss		ı	ı	'	I	3,136,491	4,107,991	7,244,482
Financial investments at fair value through other								
comprehensive income	911,016	973,918	853,407	18,497,573	4,661,194	299,195	ı	26,196,303
Financial investments at amortised cost	4,170,728	199,952	1,068,147	21,505,181	5,067,716	346,690	I	32,358,414
Loans, advances and financing								
- performing	140,227,950	732,314	1,447,743	8,941,011	14,654,500		ı	166,003,518
- impaired ^	69,568	5,164	6,489	52,546	350,336	ı	ı	484,103
Other assets	126,024	ı	ı		I	2,067,938		2,193,962
Derivative financial instruments								
- trading derivatives	ı	ı	ı	I	I	ı	1,852,913	1,852,913
- hedging derivatives	ı	I	ı	707	9,680	ı	I	10,387
Statutory deposits with Central Banks		ı	ı		248,512	272,138	ı	520,650
Total financial assets	150,283,028	2,406,949	3,716,194	48,997,018	24,991,938	7,445,936	5,960,904	243,801,967

This represents outstanding impaired loans after deducting expected credit losses.

**300 % Hongleong** Bank Berhad • FINANCIALS

Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Group 2022

			- Non-tra	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0ver 5	Non-interest/	Trading	
	1 month RM′000	months RM′000	months RM′000	years RM'000	years RM'000	profit rate sensitive RM'000	book RM'000	Total RM <sup>^</sup> 000
Financial liabilities								
Deposits from customers	78,610,597	35,811,228	37,912,562	4,727,875	1,704,736	38,525,461		197,292,459
Investment accounts of customers	975,147	1,457,150	226,672		ı	9,439		2,668,408
Deposits and placements of banks and other financial institutions	3,069,668	1,106,265	534,761	1,557,628	21,973	31,955	ı	6,322,250
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	ı	ı	187,726	4,221	ı	3,971,304
Bills and acceptances payable	3,044	15,461	11,389	I	I	211,467	ı	241,361
Lease liabilities	3,446	6,962	30,382	129,456	40,735		I	210,981
Other liabilities	1,894	434	1,019	183	ı	5,442,086		5,445,616
Derivative financial instruments								
- trading derivatives	ı	ı	I	I	I		1,736,364	1,736,364
- hedging derivatives	I	361	I	113	I		ı	474
Recourse obligation on loans sold to Cagamas	I	362,918	600,039	650,012	I	10,968	ı	1,623,937
Tier 2 subordinated bonds	I	'	499,970	1,000,000	I	2,236	ı	1,502,206
Multi-currency Additional Tier 1 Capital Securities		ı	399,916	1,298,923	3,282	13,574	I	1,715,695
Total financial liabilities	83,780,927	41,423,005	40,216,710	9,364,190	1,958,452	44,251,407	1,736,364	222,731,055
Net interest sensitivity gap	66,502,101	(39,016,056)	(36,500,516)	39,632,828	23,033,486			
Financial guarantees		ı	,	,	ı	744,430		
Credit related commitments and contingencies	·	,		ı	ı	48,542,831		
Treasury related commitments and contingencies (hedging)		ı	100,000	476,190	86,905			
Net interest sensitivity gap	I	I	100,000	476,190	86,905	49,287,261		

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

## Interest/Profit rate risk (continued)

			Z	2023				
			Non-tra	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0 ver 5	Non-interest/	Trading	
	1 month	months PM/000	months	years	years pw/nnn	profit rate sensitive	book	Total PM/000
Financial assets								
Cash and short-term funds	4,537,357	ı	1	ı	ı	1,824,871		6,362,228
Deposits and placements with banks and other financial								
institutions	ı	753,000	146,781	434,283	ı	9,489	•	1,343,553
Financial assets at fair value through profit or loss	I	ı	ı	ı	ı	1,745,712	3,171,240	4,916,952
Financial investments at fair value through other								
comprehensive income	1,732,427	2,461,825	1,881,168	22,992,676	730,756	310,348	•	30,109,200
Financial investments at amortised cost	629,789	ı	683,474	19,634,856	1,036,012	217,433	ı	22,201,564
Loans, advances and financing								
- performing	113,325,166	2,603,472	729,056	5,802,037	12,216,725		I	134,676,456
- impaired ~	45,742	1,518	1,976	43,640	323,429		I	416,305
Other assets	100,381	ı	ı	ı	ı	2,184,233	I	2,284,614
Derivative financial instruments								
- trading derivatives				•		•	2,063,266	2,063,266
- hedging derivatives				6,482	1,921	•	ı	8,403
Amount due from subsidiaries	·	ı				143,862	ı	143,862
Statutory deposits with Central Banks		1				2,509,021	I	2,509,021
Total financial assets	120,370,862	5,819,815	3,442,455	48,913,974	14,308,843	8,944,969	5,234,506	207,035,424

 $^{\circ}$  This represents outstanding impaired loans after deducting expected credit losses.

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

			The	The Bank				
				2023 Noo 420400 hook				
	up to 1 month	1 to 3 months	3 to 12 months	7 TO 5 Vears	UVEr 5 Vears	Non-Interest/ profit rate sensitive	book	Total
	RM'000	RM'000	RM′000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposits from customers	60,636,743	29,129,468	33,850,302	4,319,864	790,374	34,006,197		162,732,948
Deposits and placements of banks and other financial								
institutions	2,501,869	4,050,410	194,672	1,476,742	•	45,798	•	8,269,491
Obligations on securities sold under repurchase agreements	2,678,098	4,718,922	ı	•	•	2,563	•	7,399,583
Bills and acceptances payable	3,669	23,655	24,410	•	•	103,468	•	155,202
Lease liabilities	5,567	11,137	49,950	169,023	34,036		•	269,713
Other liabilities	1,820	377	871	157	1	5,315,629	•	5,318,854
Derivative financial instruments								
- trading derivatives	ı	ı	ı	•	'		2,301,901	2,301,901
- hedging derivatives	I	ı	ı	35	1		I	35
Recourse obligation on loans sold to Cagamas	I	ı	ı	1,500,019	1	14,627	ı	1,514,646
Tier 2 subordinated bonds	I	ı	1,000,000	499,089	1	2,661	1	1,501,750
Multi-currency Additional Tier 1 Capital Securities	1	1	399,345	1,304,261		15,903		1,719,509
Total financial liabilities	65,827,766	37,933,969	35,519,550	9,269,190	824,410	39,506,846	2,301,901	191,183,632
Net interest sensitivity gap	54,543,096	(32,114,154)	(32,077,095)	39,644,784	13,484,433			
Financial guarantees						827,597		
Credit related commitments and contingencies	I	ı	ı	ı	1	40,390,953		
Treasury related commitments and contingencies (hedging)				469,048	72,619			
Net interest sensitivity gap				469,048	72,619	41,218,550		

Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Bank

			Non-ti	2022 Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0ver 5	Non-interest/	Trading	-
	1 month RM <sup>(</sup> 000	months RM′000	months RM'000	years RM <sup>^</sup> 000	years RM′000	protit rate sensitive RM'000	<b>БООК</b> RM <sup>^</sup> 000	lotal RM <sup>^</sup> 000
Financial assets								
Cash and short-term funds	4,139,922				,	1,315,866		5,455,788
Deposits and placements with banks and other financial								
institutions		1,847,853	340,408		419,577	6,497		2,614,335
Financial assets at fair value through profit or loss		,	ı	·	,	3,215,003	3,725,759	6,940,762
Financial investments at fair value through other								
comprehensive income	911,016	973,918	807,974	16,234,606	3,233,190	255,817		22,416,521
Financial investments at amortised cost	3,030,751	199,952	714,320	15,335,841	3,612,778	250,903		23,144,545
Loans, advances and financing								
- performing	109,432,328	289,294	705,648	6,806,828	9,122,949	I	ı	126,357,047
- impaired ~	61,050	1,024	4,595	44,428	277,392	ı		388,489
Other assets	126,024	ı	I	ı	I	1,574,322	ı	1,700,346
Derivative financial instruments								
- trading derivatives	,	ı	ı	I	ı	I	1,769,151	1,769,151
- hedging derivatives	ı	ı	ı	502	6,718	I		7,220
Amount due from subsidiaries	,	ı	ı	,	ı	91,110		91,110
Statutory deposits with Central Banks	1			1	I	272,138		272,138
Total financial assets	117,701,091	3,312,041	2,572,945	38,422,205	16,672,604	6,981,656	5,494,910	191,157,452

This represents outstanding impaired loans after deducting expected credit losses.

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Bank

				2022				
			Non-ti	Non-trading book				
	Up to	1 to 3	3 to 12	1 to 5	0ver 5	Non-interest/	Trading	
	1 month PM/000	months RM/000	months RM/000	years PM/000	years RM'nnn	profit rate sensitive RM/000	book PM/000	Total RM'000
Financial liabilities								
Deposits from customers	62,624,319	25,068,936	29,190,975	3,781,441	1,623,027	32,718,606	'	155,007,304
Deposits and placements of banks and other financial								
institutions	1,973,371	1,199,366	411,332	1,557,628	I	33,723	ı	5,175,420
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	,		187,726	4,221	'	3,971,304
Bills and acceptances payable	2,322	13,312	9,746		I	128,039	·	153,419
Lease liabilities	5,352	10,699	48,162	216,891	44,261	I	'	325,365
Other liabilities	1,820	377	871	157	I	5,147,698	'	5,150,923
Derivative financial instruments								
- trading derivatives	'		'	'	I	I	1,711,271	1,711,271
- hedging derivatives	ı	361	ı	113	I	I	ı	474
Recourse obligation on loans sold to Cagamas	ı		300,028	200,010	ı	2,760		502,798
Tier 2 subordinated bonds	ı	·	499,970	1,000,000	I	2,236	ı	1,502,206
Multi-currency Additional Tier 1 Capital Securities			399,916	1,298,923	3,282	13,574		1,715,695
Total financial liabilities	65,724,315	28,955,277	30,861,000	8,055,163	1,858,296	38,050,857	1,711,271	175,216,179
Net interest sensitivity gap	51,976,776	(25,643,236)	(28,288,055)	30,367,042	14,814,308			
Financial guarantees	ı	ı	ı	ı	ı	660'169		
Credit related commitments and contingencies	ı	ı	ı	I	I	39,483,754		
Treasury related commitments and contingencies (hedging)			100,000	476,190	86,905			
Net interest sensitivity gap			100,000	476,190	86,905	40,174,553		

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using BNM's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity:

			The Group	đ				
			2023				:	
	Up to 1 week RM/000	1 week to 1 month pm/000	1 to 3 months PM^nnn	3 to 6 months RM/000	6 to 12 months RM'000	0ver 1 year RM'000	No specific maturity PM'000	Total RM'000
Assets								
Cash and short-term funds	7,005,872	1,200,931				•		8,206,803
Deposits and placements with banks and other financial institutions			289,248	147,629				436,877
Financial assets at fair value through profit or loss	103,473	1,372,049	•	272,331	342,852	3,200,809	363,423	5,654,937
Financial investments at fair value through other comprehensive income	291,161	1,424,461	1,664,600	244,175	1,715,650	28,448,973	97,650	33,886,670
Financial investments at amortised cost	787,556	387	22,048	98,358	876,173	29,409,543		31,194,065
Loans, advances and financing	14,373,246	7,321,276	7,192,416	2,685,273	979,177	147,351,459	•	179,902,847
Other assets	1,213,753	15,030	29,260	38,878	12,570	2,047	1,142,877	2,454,415
Derivative financial instruments	67,367	173,596	576,425	181,326	141,775	1,027,935		2,168,424
Statutory deposits with Central Banks							3,396,920	3,396,920
Investment in associated companies							8,712,976	8,712,976
Property and equipment	ı	ı					1,055,391	1,055,391
Intangible assets							362,435	362,435
Right-of-use assets			•	•	•	•	175,946	175,946
Goodwill			•	•	•	•	1,831,312	1,831,312
Deferred tax assets	•	•			•	•	410,436	410,436
Total assets	23,842,428	11,507,730	9,773,997	3,667,970	4,068,197	209,440,766	17,549,366	279,850,454

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity: (continued)

			The Group	ŝ				
1	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week	1 month	months	months	months	уеаг	maturity	Total
	RM'000	RM′000	RM′000	RM′000	RM <sup>^</sup> 000	RM′000	RM'000	RM'000
Liabilities								
Deposits from customers	85,506,966	31,977,530	42,215,852	24,447,241	19,954,278	7,549,952	•	211,651,819
Investment accounts of customers	124,237	328,935	864,075	908,983	24,283	·		2,250,513
Deposits and placements of banks and other								
financial institutions	1,776,790	1,058,774	4,945,901	142,636	169,243	1,500,482	•	9,593,826
Obligations on securities sold under repurchase								
agreements	1,175,840	1,505,098	4,718,645					7,399,583
Bills and acceptances payable	314	4,000	29,963	30,168	ı	ı	146,986	211,431
Lease liabilities		3,512	6,785	9,972	19,504	139,155		178,928
Other liabilities	5,667,523	157,488	16,701	632	14,602	50	89,054	5,946,050
Derivative financial instruments	220,700	164,000	461,114	128,523	130,981	1,282,568	•	2,387,886
Recourse obligation on loans sold to Cagamas			15,203	6,977	ı	2,950,040		2,972,220
Tier 2 subordinated bonds				2,661	1,000,000	499,089	•	1,501,750
Multi-currency Additional Tier 1 Capital Securities			4,862	11,040	399,345	1,304,262	•	1,719,509
Taxation		•	•	•		•	50,287	50,287
Total liabilities	94,472,370	35,199,337	53,279,101	25,688,833	21,712,236	15,225,598	286,327	245,863,802
Total equity							33,986,652	33,986,652
Total liabilities and equity	94,472,370	35,199,337	53,279,101	25,688,833	21,712,236	15,225,598	34,272,979	279,850,454
Net liquidity gap	(70,629,942)	(23,691,607)	(43,505,104)	(22,020,863)	(17,644,039)	194,215,168	17,263,039	33,986,652

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity:

The Group

I		'						
	up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week	1 month	months	months	months	уеаг	maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM′000	RM′000
Assets								
Cash and short-term funds	3,808,223	2,286,506	,		ı			6,094,729
Deposits and placements with banks and other financial institutions			500.105	342,401				842.506
Financial assets at fair value through profit or								
loss	316,574	1,110,143	583,736	186,583	122,908	3,481,985	1,442,553	7,244,482
Financial investments at fair value through								
other comprehensive income	399,843	512,543	961,513	119,090	579,180	23,540,748	83,386	26,196,303
Financial investments at amortised cost	96,866	4,149,024	220,780	255,838	877,455	26,758,451		32,358,414
Loans, advances and financing	13,172,118	8,377,197	5,183,381	2,808,015	717,337	136,229,573	ı	166,487,621
Other assets	1,304,443	13,623	17,631	23,109	8,096	3,641	910,199	2,280,742
Derivative financial instruments	45,657	162,463	431,253	135,954	121,036	966,937	ı	1,863,300
Statutory deposits with Central Banks	ı	I	ı	I	I	·	520,650	520,650
Investment in associated companies	ı	I	ı	I	I	·	6,455,474	6,455,474
Property and equipment	ı	I	ı	I	I	ı	1,110,606	1,110,606
Intangible assets	ı	I	ı	I	I	ı	304,749	304,749
Right-of-use assets	ı	I	ı	I	I	ı	211,718	211,718
Goodwill	ı	I	ı	ı	I	ı	1,831,312	1,831,312
Deferred tax assets		I	I	ı	I	I	528,771	528,771
Total assets	19,143,724	16,611,499	7,898,399	3,870,990	2,426,012	190,981,335	13,399,418	254,331,377

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### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity: (continued)

			The Group	đ				
			2022					
	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week RM′000	1 month RM′000	months RM′000	months RM′000	months RM′000	year RM'000	maturity RM'000	Total RM′000
Liabilities								
Deposits from customers	85,337,784	29,535,027	36,008,916	18,063,370	20,068,312	8,279,050		197,292,459
Investment accounts of customers	232,455	744,106	1,463,800	105,564	122,483	ı	ı	2,668,408
Deposits and placements of banks and other								
financial institutions	1,745,155	1,354,153	1,107,373	419,733	116,236	1,579,600	·	6,322,250
Obligations on securities sold under repurchase								
agreements	96,323	1,022,185	2,664,629	ı	I	188,167	ı	3,971,304
Bills and acceptances payable	143	2,901	15,461	11,382	8	ı	211,466	241,361
Lease liabilities	ı	3,446	6,962	10,208	20,173	170,192	ı	210,981
Other liabilities	5,454,610	165,732	27,917	705	12,995	ı	88,391	5,750,350
Derivative financial instruments	37,352	79,984	138,697	120,383	63,958	1,296,464	ı	1,736,838
Recourse obligation on loans sold to Cagamas			372,882	601,042		650,013	ı	1,623,937
Tier 2 subordinated bonds			ı	2,236	499,970	1,000,000	ı	1,502,206
Multi-currency Additional Tier 1 Capital Securities	ı	ı	4,862	408,628	ı	1,302,205	ı	1,715,695
Taxation			ı	ı		ı	306,612	306,612
Total liabilities	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	606,469	223,342,401
Total equity							30,988,976	30,988,976
Total liabilities and equity	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	31,595,445	254,331,377
Net liquidity gap	(73,760,098)	(16,296,035)	(33,913,100)	(15,872,261)	(18,478,123)	176,515,644	12,792,949	30,988,976

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity:

			The Bank	k				
			2023					
	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week	1 month	months	months	months	year	maturity	Total
	RM <sup>*</sup> 000	RM' 000	RM <sup>7</sup> 000	RM <sup>7</sup> 000	RM <sup>7</sup> 000	RM' 000	RM <sup>*</sup> 000	RM'000
Assets								
Cash and short-term funds	6,092,697	269,531						6,362,228
Deposits and placements with banks and other								
financial institutions	•	•	761,641	147,629	•	434,283	•	1,343,553
Financial assets at fair value through profit or loss	103,473	1,071,721	1	271,884	48,595	3,035,693	385,586	4,916,952
Financial investments at fair value through								
other comprehensive income	260,523	1,424,461	1,664,600	244,175	1,639,556	24,778,235	97,650	30,109,200
Financial investments at amortised cost	695,640	387	22,048	78,270	640,326	20,764,893	I	22,201,564
Loans, advances and financing	11,150,990	6,056,620	6,614,320	2,007,923	466,170	108,796,738		135,092,761
Other assets	1,351,391	14,302	27,828	36,731	12,496	2,047	953,708	2,398,503
Derivative financial instruments	66,881	150,143	526,732	155,706	140,077	1,032,130		2,071,669
Amount due from subsidiaries	ı	1					143,862	143,862
Statutory deposits with Central Banks			1	1			2,509,021	2,509,021
Subsidiary companies			1	1			2,655,317	2,655,317
Investment in associated companies			1	1			2,087,699	2,087,699
Property and equipment			1	1			488,040	488,040
Intangible assets							326,216	326,216
Right-of-use assets			1	1			261,308	261,308
Goodwill			1	1			1,771,547	1,771,547
Deferred tax assets		•				•	317,985	317,985
Total assets	19,721,595	8,987,165	9,617,169	2,942,318	2,947,220	158,844,019	11,997,939	215,057,425

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2023 based on the remaining contractual maturity: (continued)

			The Bank	٨				
			2023					
	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week	1 month	months	months	months	уеаг	maturity	Total
	RM′000	RM′000	RM′000	RM′000	RM <sup>^</sup> 000	RM′000	RM′000	RM′000
Liabilities								
Deposits from customers	70,277,393	22,407,762	29,370,840	17,944,091	16,282,955	6,449,907	•	162,732,948
Deposits and placements of banks and other								
financial institutions	1,573,319	964,196	4,057,912	80,495	116,826	1,476,743	•	8,269,491
Obligations on securities sold under repurchase								
agreements	1,175,840	1,505,098	4,718,645	•	•	•	•	7,399,583
Bills and acceptances payable	274	3,396	23,655	24,410	•		103,467	155,202
Lease liabilities		5,567	11,137	16,637	33,313	203,059		269,713
Other liabilities	4,874,548	157,391	16,561	582	4,640	432,643	80,385	5,566,750
Derivative financial instruments	220,855	127,608	451,072	119,923	130,981	1,251,497	•	2,301,936
Recourse obligation on loans sold to Cagamas			12,359	2,268	•	1,500,019	•	1,514,646
Tier 2 subordinated bonds				2,661	1,000,000	499,089		1,501,750
Multi-currency Additional Tier 1 Capital								
Securities	•		4,862	11,040	399,345	1,304,262	•	1,719,509
Taxation	•				•		39,545	39,545
Total liabilities	78,122,229	25,171,018	38,667,043	18,202,107	17,968,060	13,117,219	223,397	191,471,073
Total equity							23.586.352	23.586.352
Total liabilities and equity	78,122,229	25,171,018	38,667,043	18,202,107	17,968,060	13,117,219	23,809,749	215,057,425
Mot linuidity and	(E8 400 234)	(16 103 0F3)	(12 010 0C)	(15 JEO 700)	1010 000 311	145 776 800	CA3 AFF 44	C3C 267
Net liquidity gap	(58,400,034)	(503,831,01)	(29,049,814)	(481,462,61)	(048,020,61)	142/120/00	11,114,542	765,086,62

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity:

The Bank

	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week RM′000	1 month RM′000	months RM′000	months RM′000	months RM <sup>^</sup> 000	year RM'000	maturity RM'000	Total RM′000
Assets								
Cash and short-term funds	4,335,147	1,120,641						5,455,788
Deposits and placements with banks and other financial institutions			1 857 356	CUV CVE		110 577		J 611 225
Financial assets at fair value through profit or loss	316,574	1,002,347	493,952	94.233	5,109	3,481,985	1,546,562	6,940.762
Financial investments at fair value through	~	~				•		
other comprehensive income	399,843	512,543	961,513	103,920	548,714	19,806,602	83,386	22,416,521
Financial investments at amortised cost	96,866	2,988,803	220,780	238,232	538,425	19,061,439	ı	23,144,545
Loans, advances and financing	10,462,348	7,260,070	4,549,698	2,217,539	354,454	101,901,427	ı	126,745,536
Other assets	916,773	13,120	16,625	21,600	8,020	4,770	800,647	1,781,555
Derivative financial instruments	39,421	155,368	364,219	133,978	120,584	962,801	ı	1,776,371
Amount due from subsidiaries	,	ı	ı	ı	ı	,	91,110	91,110
Statutory deposits with Central Banks	,	ı	ı	ı	ı	,	272,138	272,138
Subsidiary companies	,	I	ı	ı	ı	,	2,625,696	2,625,696
Investment in associated companies	ı		ı	ı	ı	ı	971,182	971,182
Property and equipment	,	I	ı	ı	ı		527,989	527,989
Intangible assets	ı	I	ı	ı	I	ı	269,645	269,645
Right-of-use assets	ı	I	ı	ı	I	ı	321,446	321,446
Goodwill	ı	ı	ı	I	I	ı	1,771,547	1,771,547
Deferred tax assets	I		I	I	I	I	403,666	403,666
Total assets	16,566,972	13,052,892	8,459,143	3,151,904	1,575,306	145,638,601	9,685,014	198,129,832

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2022 based on the remaining contractual maturity: (continued)

			The Bank	ık				
			2022					
	Up to	1 week to	1 to 3	3 to 6	6 to 12	0ver 1	No specific	
	1 week RM'000	1 month RM'000	months RM <sup>(</sup> 000	months RM <sup>(</sup> 000	months RM <sup>(</sup> 000	year RM'000	maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	69,481,967	23,707,837	25,209,107	13,017,564	16,345,666	7,245,163	ı	155,007,304
Deposits and placements of banks and other financial institutions	1.269.051	735.288	1.200.913	296.304	116.236	1.557.628		5.175.420
Obligations on securities sold under repurchase								
agreements	96,323	1,022,185	2,664,629			188,167		3,971,304
Bills and acceptances payable	123	2,199	13,312	9,738	8		128,039	153,419
Lease liabilities	ı	5,352	10,699	16,016	32,146	261,152		325,365
Other liabilities	4,686,301	165,717	27,870	675	2,313	432,107	77,876	5,392,859
Derivative financial instruments	37,525	75,209	136,779	120,058	63,842	1,278,332		1,711,745
Recourse obligation on loans sold to Cagamas	ı	ı	2,216	300,572		200,010	ı	502,798
Tier 2 subordinated bonds	ı	ı	I	2,236	499,970	1,000,000	ı	1,502,206
Multi-currency Additional Tier 1 Capital Securities	ı	ı	4,862	408,628		1,302,205	ı	1,715,695
Taxation			I	ı	ı	ı	272,986	272,986
Total liabilities	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	478,901	175,731,101
Total equity			ı	·	·	·	22,398,731	22,398,731
Total liabilities and equity	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	22,877,632	198,129,832
Net liquidity gap	(59,004,318)	(12,660,895)	(20,811,244)	(11,019,887)	(15,484,875)	132,173,837	9,206,113	22,398,731

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

			The 0 20	iroup 23		
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM′000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	62,683,402	47,910,711	55,088,291	48,259,124	1,684,848	215,626,376
Investment accounts of						
customers	444,931	919,787	968,025	-	-	2,332,743
Deposits and placements of banks and other financial institutions	3,992,684	3,920,181	353,504	1,099,967	397,054	9,763,390
Obligations on securities sold under repurchase agreements	2,682,317	4,719,522				7,401,839
Bills and acceptances payable	146,986	5,700	12,087	_		164,773
Lease liabilities	4,224	8,211	35,344	123,680	34.044	205,503
Other liabilities	5,637,045	434	1,019	123,000	34,044	5,638,681
Derivative financial instruments	5,057,045	+1+	1,012	105		3,030,001
- Gross settled derivatives						
- Inflow	(11 614 176)	(13,484,469)	(4,650,782)	(3,972,926)	(110 211)	(33,840,664)
- Outflow	12,029,722	14,140,906	4,919,664	4,284,947	131,787	35,507,026
- Net settled derivatives	41,385	70,617	347,681	629,419	109,254	1,198,356
Recourse obligation on loans	41,505	70,017	547,001	029,419	109,234	1,170,550
sold to Cagamas		27,256	90,684	3,101,511		3,219,451
Tier 2 subordinated bonds		-	1,063,473	584,058		1,647,531
Multi-currency Additional Tier			,,	-,		,,
1 Capital Securities	-	9,518	468,425	1,485,976	-	1,963,919
Total financial liabilities	76,048,520	58,248,374	58,697,415	55,595,939	2,238,676	250,828,924

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

			The G	roup		
			202	22		
	Up to	1 to 3	3 to 12	1 to 5	Over 5	
	1 month	months	months	years	years	Total
	RM′000	RM'000	RM′000	RM′000	RM′000	RM′000
Financial liabilities						
Deposits from customers	61,324,074	40,555,516	48,187,735	47,439,915	2,834,423	200,341,663
Investment accounts of						
customers	518,105	1,125,721	1,076,127	-	-	2,719,953
Deposits and placements of						
banks and other financial						
institutions	3,230,023	1,058,963	592,906	1,062,663	516,938	6,461,493
Obligations on securities sold under repurchase						
agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	211,666		-	_	-	211,666
Lease liabilities	4,214	8,462	36,573	148,353	44,168	241,770
Other liabilities	5,443,980	434	1,019	183		5,445,616
Derivative financial instruments	5,775,700	FCF	1,012	105		5,445,010
- Gross settled derivatives						
- Inflow	(8,421,523)	(4,750,485)	(4,486,715)	(2,728,214)	(113,232)	(20,500,169)
- Outflow	8,535,963	4,872,766	4,614,467	2,877,443	118,371	21,019,010
<ul> <li>Net settled derivatives</li> </ul>	(488)	4,872,700	283,664	876,692	93,925	1,305,337
Recourse obligation on loans	(400)	51,544	265,004	070,072	73,723	1,20,227
sold to Cagamas	10,498	376,820	626,213	691,934	-	1,705,465
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier			511,120	.,		1,556,550
1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	71,976,151	45,979,882	51,933,166	52,865,176	3,494,593	226,248,968

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

			The ( 20			
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM′000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	45,803,271	34,003,204	43,205,937	41,454,187	1,684,197	166,150,796
Deposits and placements of banks and other financial institutions	3,222,967	3,530,323	203,389	1,099,967	374,915	8,431,561
Obligations on securities sold under repurchase agreements	2,682,317	4,719,522			-	7,401,839
Bills and acceptances payable	103,467	3,294	8,942	-	-	115,703
Lease liabilities	6,470	12,892	56,978	185,396	36,407	298,143
Other liabilities	5,317,449	377	871	157	-	5,318,854
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(10,944,539)	(12,682,513)	(3,509,248)	(3,972,926)	(118,311)	(31,227,537)
- Outflow	11,307,885	13,304,214	3,756,109	4,284,947	131,787	32,784,942
- Net settled derivatives	41,169	70,081	342,634	594,601	108,331	1,156,816
Recourse obligation on loans						
sold to Cagamas	-	22,631	35,922	1,571,642	-	1,630,195
Tier 2 subordinated bonds	-	-	1,063,473	584,058	-	1,647,531
Multi-currency Additional Tier						
1 Capital Securities	-	9,518	468,425	1,485,976	-	1,963,919
Total financial liabilities	57,540,456	42,993,543	45,633,432	47,288,005	2,217,326	195,672,762

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

			The B 202			
-	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM′000	1 to 5 years RM'000	Over 5 years RM′000	Total RM'000
Financial liabilities						
Deposits from customers	46,778,161	28,772,826	38,603,368	40,991,923	2,732,512	157,878,790
Deposits and placements of banks and other financial institutions	2,134,065	1,204,299	415,435	1,062,663	494,965	5,311,427
Obligations on securities sold under repurchase						
agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	128,039	-	-	-	-	128,039
Lease liabilities	6,453	12,849	56,979	240,228	47,762	364,271
Other liabilities	5,149,518	377	871	157	-	5,150,923
Derivative financial instruments - Gross settled derivatives						
- Inflow	(7,746,259)	(4,530,206)	(4,420,749)	(2,728,214)	(113,232)	(19,538,660)
- Outflow	7,853,191	4,649,024	4,547,576	2,877,443	118,371	20,045,605
- Net settled derivatives	(488)	51,895	280,834	860,106	92,590	1,284,937
Recourse obligation on loans sold to Cagamas	-	2,763	308,099	208,358	-	519,220
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier 1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	55,422,319	32,843,968	40,793,590	46,008,871	3,372,968	178,441,716

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
The Group			
2023			
Direct credit substitutes	152,828	71,687	224,515
Short-term self liquidating trade related contingencies	820,362	-	820,362
Irrevocable commitments to extend credit	26,457,159	17,073,556	43,530,715
Unutilised credit card lines	6,902,344	-	6,902,344
Total commitments and contingencies	34,332,693	17,145,243	51,477,936
2022			
Direct credit substitutes	136,903	200	137,103
Short-term self liquidating trade related contingencies	607,327	-	607,327
Irrevocable commitments to extend credit	23,913,907	17,538,803	41,452,710
Unutilised credit card lines	7,090,121	-	7,090,121
Total commitments and contingencies	31,748,258	17,539,003	49,287,261
The Bank			
2023			
Direct credit substitutes	146,896	70,150	217,046
Short-term self liquidating trade related contingencies	610,551	-	610,551
Irrevocable commitments to extend credit	21,025,525	12,463,084	33,488,609
Unutilised credit card lines	6,902,344	-	6,902,344
Total commitments and contingencies	28,685,316	12,533,234	41,218,550
2022			
<b>2022</b> Direct credit substitutes	170 077	200	120 077
Short-term self liquidating trade related contingencies	128,877 561,722	200	129,077 561,722
Irrevocable commitments to extend credit	19,450,920	- 12,942,713	
Unutilised credit card lines	7,090,121	12,742,713	32,393,633 7,090,121
		17 0/2 012	
Total commitments and contingencies	27,231,640	12,942,913	40,174,553

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank on financial instruments subject to impairment:

	The G	iroup
	2023 RM'000	2022 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	7,125,036	5,561,508
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	33,789,020	26,112,917
- Financial investments at amortised cost	31,194,065	32,358,414
Loans, advances and financing	179,902,847	166,487,621
Other assets	2,233,739	2,067,938
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	51,477,936	49,287,261
Total maximum credit risk exposure that are subject to impairment	305,722,643	281,875,659

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

### (i) Maximum exposure to credit risk (continued)

	The E	Bank
	2023 RM'000	2022 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions		
(exclude cash in hand)	6,485,385	6,935,424
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	30,011,550	22,333,135
- Financial investments at amortised cost	22,201,564	23,144,545
Loans, advances and financing	135,092,761	126,745,536
Other assets	2,184,233	1,574,322
Amount due from subsidiaries	143,862	91,110
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	41,218,550	40,174,553
Total maximum credit risk exposure that are subject to impairment	237,337,905	220,998,625

The table below shows the credit exposure of the Group and the Bank on financial instruments that are not subject to impairment:

	The G	iroup	The E	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Financial assets at FVTPL (exclude shares and wholesale funds)	3,910,787	2,942,548	3,150,639	2,534,818
Derivative assets	2,168,424	1,863,300	2,071,669	1,776,371
	6,079,211	4,805,848	5,222,308	4,311,189

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- (a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- (b) Land and buildings
- (c) Aircrafts, vessels and automobiles
- (d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- (e) Endowment life policies with cash surrender value
- (f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for credit impaired loans, advances and financing under individual assessment for which no allowances is recognised because of collateral as at 30 June 2023 amounted to RM90,179,000 (2022: RM94,440,000) and RM77,165,000 (2022: RM90,227,000) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 87.35% (2022: 87.35%) and 85.32% (2022: 86.04%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 30 June 2023 for the Group and the Bank is 72.15% (2022: 76.19%) and 74.05% (2022: 75.77%) respectively.

### (iii) Credit exposure by stage

Financial assets of the Group and the Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL - not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL - credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note 2N.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and are under closer monitoring.
No rating	Obligors which are currently not assigned with credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Obligors assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Description
Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

### (iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group	Stage 1 RM′000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
Short-term funds and placements with banks and				
other financial institutions (exclude cash in hand)				
Sovereign	4,396,204	-	-	4,396,204
Investment grade	2,685,940	-	-	2,685,940
Non-investment grade	43,115	-	-	43,115
Gross carrying amount	7,125,259	-	-	7,125,259
Expected credit losses	(223)	-	-	(223)
Net carrying amount	7,125,036	-	-	7,125,036
Financial investments at FVOCI				
Sovereign	22,063,364	-	-	22,063,364
Investment grade	11,642,131	-	-	11,642,131
Non-investment grade	83,525	-	-	83,525
Gross carrying amount	33,789,020	-	-	33,789,020
Expected credit losses	(2,014)	-	-	(2,014)
Financial investments at amortised cost				
Sovereign	29,452,972	-	-	29,452,972
Investment grade	1,741,111	-	-	1,741,111
Gross carrying amount	31,194,083	-	-	31,194,083
Expected credit losses	(18)	-	-	(18)
Net carrying amount	31,194,065	-	-	31,194,065
Loans, advances and financing				
Good	150,504,650	112,027	-	150,616,677
Adequate	23,418,533	1,285,854	-	24,704,387
Marginal	-	5,310,466	-	5,310,466
No rating	3,297	-	-	3,297
Credit impaired	-	-	1,041,884	1,041,884
Gross carrying amount	173,926,480	6,708,347		181,676,711
Expected credit losses	(966,265)	(381,755)	(411,144)	(1,759,164)
Others *	(14,700)	-	-	(14,700)
Net carrying amount	172,945,515	6,326,592	630,740	179,902,847

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

### (iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group	Stage 1 RM′000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2022				
Short-term funds and placements with banks and				
other financial institutions (exclude cash in hand)				
Sovereign	1,852,125	-	-	1,852,125
Investment grade	3,188,748	-	-	3,188,748
Non-investment grade	520,984	-	-	520,984
Gross carrying amount	5,561,857	-	-	5,561,857
Expected credit losses	(349)	-	-	(349)
Net carrying amount	5,561,508	-	-	5,561,508
Financial investments at FVOCI				
Sovereign	18,181,504	-	-	18,181,504
Investment grade	7,882,636	-	-	7,882,636
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	26,112,917	-	-	26,112,917
Expected credit losses	(1,729)	-	-	(1,729)
Financial investments at amortised cost				
Sovereign	31,817,634	-	-	31,817,634
Investment grade	540,848	-	-	540,848
Gross carrying amount	32,358,482	-	-	32,358,482
Expected credit losses	(68)	-	-	(68)
Net carrying amount	32,358,414	-	-	32,358,414
Loans, advances and financing				
Good	130,843,774	188,273	-	131,032,047
Adequate	20,086,074	1,767,203	-	21,853,277
Marginal	-	14,525,676	-	14,525,676
No rating	514	2,761	-	3,275
Credit impaired	-	-	819,750	819,750
Gross carrying amount	150,930,362	16,483,913	819,750	168,234,025
Expected credit losses	(976,919)	(423,876)	(335,647)	(1,736,442)
Others *	(9,962)	-	-	(9,962)
Net carrying amount	149,943,481	16,060,037	484,103	166,487,621

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

### (iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM′000	Stage 2 RM′000	Stage 3 RM′000	Total RM'000
2023				
Short-term funds and placements with banks and				
other financial institutions (exclude cash in hand)				
Sovereign	3,277,503	-	-	3,277,503
Investment grade	2,642,327	-	-	2,642,327
Non-investment grade	567,800	-	-	567,800
Gross carrying amount	6,487,630	-	-	6,487,630
Expected credit losses	(2,245)	-	-	(2,245)
Net carrying amount	6,485,385	-	-	6,485,385
Financial investments at FVOCI				
Sovereign	18,292,001	-	-	18,292,001
Investment grade	11,636,024	-	-	11,636,024
Non-investment grade	83,525	-	-	83,525
Gross carrying amount	30,011,550	-	-	30,011,550
Expected credit losses	(2,007)	-	-	(2,007)
Financial investments at amortised cost				
Sovereign	21,227,755	-	-	21,227,755
Investment grade	973,809	-	-	973,809
Gross carrying amount	22,201,564	-	-	22,201,564
Expected credit losses	-	-	-	-
Net carrying amount	22,201,564	-	-	22,201,564
Loans, advances and financing				
Good	114,676,337	88,735	-	114,765,072
Adequate	16,170,735	1,085,019	-	17,255,754
Marginal	-	3,642,075	-	3,642,075
No rating	3,297	-	-	3,297
Credit impaired	-	-	676,600	676,600
Gross carrying amount	130,850,369	4,815,829	676,600	136,342,798
Expected credit losses	(712,146)	(265,808)	(260,295)	(1,238,249)
Others *	(11,788)	-	-	(11,788)
Net carrying amount	130,126,435	4,550,021	416,305	135,092,761

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

### (iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM′000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Short-term funds and placements with banks and				
other financial institutions (exclude cash in hand)				
Sovereign	1,331,584	-	-	1,331,584
Investment grade	4,582,646	-	-	4,582,646
Non-investment grade	1,026,281	-	-	1,026,281
Gross carrying amount	6,940,511	-	-	6,940,511
Expected credit losses	(5,087)	-	-	(5,087)
Net carrying amount	6,935,424	-	-	6,935,424
Financial investments at FVOCI				
Sovereign	14,434,565	-	-	14,434,565
Investment grade	7,849,793	-	-	7,849,793
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	22,333,135		-	22,333,135
Expected credit losses	(1,724)	_	-	(1,724)
Financial investments at amortised cost				
Sovereign	22,816,933	-	-	22,816,933
Investment grade	327,612	-	-	327,612
Gross carrying amount	23,144,545	-	-	23,144,545
Expected credit losses	-	-	-	-
Net carrying amount	23,144,545	-	-	23,144,545
Loans, advances and financing				
Good	101,082,322	161,583	-	101,243,905
Adequate	14,221,242	1,269,270	-	15,490,512
Marginal	-	10,668,856	-	10,668,856
No rating	-	2,631	-	2,631
Credit impaired	-	-	647,646	647,646
Gross carrying amount	115,303,564	12,102,340	647,646	128,053,550
Expected credit losses	(745,735)	(296,203)	(259,157)	(1,301,095)
Others *	(6,919)	-	-	(6,919)
Net carrying amount	114,550,910	11,806,137	388,489	126,745,536

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

					The Group 2023	3 S				
	Short-term funds and placements with banks and	Financial	Einancial	Financial	Loans, advances			Tota	Undrawn loan ( commitments	Guarantees, endorsements and other
	other financial institutions RM'000	assets at FVTPL RM'000	investments at FVOCI RM'000	at amortised cost RM <sup>^</sup> 000	and financing RM′000	Other assets RM'000	Derivative assets RM′000		and other facilities RM′000	contingent items RM'000
Agriculture			41,232	T	2,787,470	ı		2,828,702	1,266,113	491
Mining and quarrying	ı		•		115,556		•	115,556	89,612	•
Manufacturing		14,136	•		15,342,174	•	•	15,356,310	9,720,440	411,096
Electricity, gas and water		70,431	2,289,844	5,024	738,051			3,103,350	306,418	6,651
Construction		10,098	349,270	158,951	6,358,806	•	•	6,877,125	4,025,838	187,063
Wholesale and retail			33,156		16,176,215	•	•	16,209,371	7,911,734	223,573
Transport, storage and communications		9,868	181,083		5,706,490	•	•	5,897,441	1,118,925	2,643
Finance, insurance, real estate and business services	2,728,832	164,994	13,058,003	2,035,363	16,528,907	2,231,584	2,168,424	38,916,107	2,995,420	159,543
Government and government agencies	4,396,204	3,641,260	17,836,432	28,994,727	•	2,155	•	54,870,778	•	50,857
Education, health and others			•		1,538,040		•	1,538,040	393,439	ı
Household	•				114,541,027	•	•	114,541,027	22,603,337	2,960
Others					70,111			70,111	1,783	
	7,125,036	3,910,787	33,789,020	31,194,065	179,902,847	2,233,739	2,168,424	260,323,918	50,433,059	1,044,877

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

					The Group 2022	oup 2				
	Short-term funds and placements			Financial	Loans,				Undrawn Ioan e	Guarantees, endorsements
	with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM <sup>(</sup> 000	investments at amortised cost RM'000	advances and financing RM'000	Other assets RM′000	Derivative assets RM'000	Total credit risk exposures RM'000	commitments and other facilities RM'000	and other contingent items RM'000
Agriculture		24,365	41,252		3,161,634		ı	3,227,251	1,104,840	6,625
Mining and quarrying	ı				126,477			126,477	77,169	
Manufacturing	I	ı			14,120,195	ı		14,120,195	7,817,397	315,298
Electricity, gas and water	ı	15,418	1,826,396	431,237	720,058	·		2,993,109	246,455	10,224
Construction	ı	10,195	287,553	160,904	4,954,202			5,412,854	3,507,501	30,853
Wholesale and retail	ı	·	31,847		15,666,440	·		15,698,287	7,003,440	251,317
Transport, storage and communications	ı	ı	118,864		5,271,899	ı	ı	5,390,763	1,390,757	2,406
Finance, insurance, real estate and business services	3,709,383	172,153	9,044,626	1,122,291	14,112,171	2,066,385	1,863,300	32,090,309	3,199,487	72,841
Government and government agencies	1,852,125	2,720,417	14,762,379	30,643,982	I	1,553		49,980,456		46,795
Education, health and others	ı				1,714,066			1,714,066	524,211	3,843
Household	ı	·			106,595,675			106,595,675	23,669,416	3,004
Others	ı				44,804			44,804	2,158	1,224
	5,561,508	2,942,548	26,112,917	32,358,414	166,487,621	2,067,938	1,863,300	237,394,246	48,542,831	744,430

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

						The Bank					
						2023					
	Short-term funds and									Undrawn	Guarantees,
	placements with back and	Financial	Einancial	Financial invectments	Loans, advances		Amount		Total	loan	endorsements and other
	other financial	assets	investments	at amortised	and	Other	due from	Derivative	credit risk	and other	contingent
	institutions RM'000	at FVTPL RM'000	at FVOCI RM'000	cost RM'000	financing RM'000	assets RM'000	subsidiaries RM'000	assets RM'000	exposures RM'000	facilities RM′000	items RM'000
Agriculture			41,232		1,345,007				1,386,239	1,021,888	
Mining and quarrying		•	1	I	88,340	1	I	I	88,340	73,402	ı
Manufacturing	1	14,136	T	I	11,302,215	1	I	I	11,316,351	7,812,905	380,948
Electricity, gas and water	I	70,431	2,284,638	5,024	357,742	1	I	I	2,717,835	81,890	6,651
Construction	1	10,098	349,270	158,951	4,974,419	1	I	I	5,492,738	3,003,137	20,703
Wholesale and retail	ı	•	33,156	I	12,036,274	1	I	I	12,069,430	6,344,541	204,668
Transport, storage and communications		9,868	181,083		5,178,405	'			5,369,356	916,616	2,643
Finance, insurance, real estate and business services	3,207,882	163,712	12,807,144	1,244,885	12,766,941	2,182,078	143,862	2,071,669	34,588,173	1,935,788	158,538
Government and government agencies	3,277,503	2,882,394	14,315,027	20,792,704		2,155		I	41,269,783		50,857
Education, health and others	ı		I	I	720,459	I	I	I	720,459	201,442	I
Household	1		I	I	86,261,100	I	I	I	86,261,100	18,999,344	2,589
Others	1	1	1	1	61,859	1	I	I	61,859	1	ı
	6,485,385	3,150,639	30,011,550	22,201,564	135,092,761	2,184,233	143,862	2,071,669	201,341,663	40,390,953	827,597

### Notes to the Financial Statements for the financial year ended 30 June 2023

# 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

						The Bank 2022					
	Short-term funds and placements with banks and other financial inetitutions	Financial assets	Financial Financial investments	Financial Investments at amortised	Loans, advances and financing	Other	Amount due from	Derivative	Total credit risk	Undrawn Ioan commitments and other farilitioc	Guarantees, endorsements and other contingent itoms
	RM'000	RM <sup>000</sup>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture		24,365	41,252	ı	1,693,048	ı	,	ı	1,758,665	822,576	5,551
Mining and quarrying	ı		I	I	95,998	I	I	ı	95,998	63,816	I
Manufacturing	ı		I	I	10,655,006	I	I	I	10,655,006	6,330,689	288,354
Electricity, gas and water	ı	15,418	1,800,892	264,181	296,288	ı	I	ı	2,376,779	129,499	10,224
Construction	ı	10,195	287,553	160,904	3,911,381	I	I	ı	4,370,033	2,765,794	25,451
Wholesale and retail	ı	·	31,847	I	12,039,302	I	I	ı	12,071,149	5,569,259	238,980
Transport, storage and communications	'		118,864		4,761,090				4,879,954	1,165,014	2,406
Finance, insurance, real estate and business services	5,603,840	163,056	8,765,571	873,690	10,801,366	1,572,776	91,110	1,776,371	29,647,780	2,423,438	70,284
Government and government agencies	1,331,584	2,321,784	11,287,156	21,845,770	ı	1,546	ı	ı	36,787,840	I	46,795
Education, health and others			ı	ı	891,452	'	,		891,452	331,214	
Household	ı		I	I	81,566,321	I	I	I	81,566,321	19,880,969	2,754
Others	ı	I	I	I	34,284	I	I	I	34,284	1,486	ı
	6,935,424	2,534,818	22,333,135	23,144,545	126,745,536	1,574,322	91,110	1,776,371	185,135,261	39,483,754	690,799

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(v) Repossessed collaterals

	The G	iroup	The I	Bank
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
		KM 000		RM 000
Industrial and residential properties, lands and				
automobiles	377,172	352,321	279,067	274,467

Repossessed collaterals are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not utilise the repossessed collaterals for its business use.

### (vi) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the statements of income.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended, and are still subject to enforcement activities was RM388.4 million (2022: RM418.9 million) for the Group and RM310.1 million (2022: RM173.1 million) for the Bank.

(vii) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised in the statements of income with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

The amounts of loans, advances and financing whose cash flows are modified and of which modification loss is recognised during the year for the Group and the Bank are Nil (2022: RM3,546.8 million) and Nil (2022: RM2,393.5 million) respectively.

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(viii) Sensitivity analysis

The Group and the Bank have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates, banking system credit and gross domestic product while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

		The Group RM'000	The Bank RM'000
2023	Changes		
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on t	the positive changes in key variables	(3,793)	(3,719)
	he negative changes in key variables	229	319
2022	Changes		
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on t	the positive changes in key variables	(4,561)	(4,486)

for the financial year ended 30 June 2023

### 48 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

(viii) Sensitivity analysis (continued)

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant: (continued)

(b) Non-retail

		The Group RM'000	The Bank RM'000
2023	Changes		
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 100 bps		
Total decrease in ECL on th	e positive changes in key variables	(4,266)	(3,523)
	e negative changes in key variables	3,787	2,493
2022	Changes	3,787	2,493
<b>2022</b> Banking system credit		3,787	2,493
<b>2022</b> Banking system credit Gross domestic product	<b>Changes</b> +/- 100 bps	<b>3,787</b> (5,513)	<b>2,493</b> (4,253)

### (ix) Overlays and adjustments for expected credit losses

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability, ECL overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL of loans, advances and financing for the financial year ended 30 June 2023.

These ECL overlays and post-model adjustments reflect the latest macroeconomic outlook and the potential impact to delinquencies and defaults when the various relief and support measures expire in the future.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the post-pandemic uncertainties as well as emerging risks and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The adjusted downside scenario has taken into consideration the current operating environment, which includes downside risks from geopolitical conflicts, cost pressures, global monetary tightening and China's pre-opening/ slowdown. As at 30 June 2023, the impact of these overlays and post-model adjustments continues to remain outside the MFRS 9 ECL Model. The ECL overlays amounted to RM574.2 million (2022: RM628.5 million) and RM421.1 million (2022: RM475.4 million) at the Group and the Bank respectively.

for the financial year ended 30 June 2023

### 49 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

### (a) Determination of fair value and fair value hierarchy

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

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

### Valuation techniques

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

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

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

for the financial year ended 30 June 2023

### 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

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

		The Group 2023 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM′000	Total RM'000	
Recurring fair value measurements					
Financial Assets					
Financial assets at FVTPL					
- Money market instrument	-	3,656,339	-	3,656,339	
- Quoted securities	1,380,447	-	-	1,380,447	
- Unquoted securities	-	253,166	364,985	618,151	
Financial investments at FVOCI					
- Money market instrument	-	20,244,842	-	20,244,842	
- Quoted securities	4,436,851	-	-	4,436,851	
- Unquoted securities	-	9,107,327	97,650	9,204,977	
Derivative financial instruments	26,174	2,067,896	74,354	2,168,424	
	5,843,472	35,329,570	536,989	41,710,031	
Financial Liabilities					
Derivative financial instruments	874	2,315,173	71,839	2,387,886	
Financial liabilities designated at fair value		, , ,		, , , , ,	
- Structured deposits linked to interest rate					
derivatives	-	3,564,330	-	3,564,330	
	874	5,879,503	71,839	5,952,216	

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2022: RM Nil).

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

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

	The Group 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,679,155	-	2,679,155
- Quoted securities	3,998,469	-	-	3,998,469
- Unquoted securities	-	211,238	355,620	566,858
Financial investments at FVOCI				
- Money market instrument	-	15,590,971	-	15,590,971
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,631,734	83,386	7,715,120
Derivative financial instruments	9,909	1,748,589	104,802	1,863,300
	6,898,590	27,861,687	543,808	35,304,085
<u>Financial Liabilities</u>				
Derivative financial instruments	104	1,633,224	103,510	1,736,838
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate				
derivatives	-	2,065,393	-	2,065,393
	104	3,698,617	103,510	3,802,231

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

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

		The Bank 2023 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM′000	Total RM'000	
Recurring fair value measurements					
Financial Assets					
Financial assets at FVTPL					
- Money market instrument	-	2,897,473	-	2,897,473	
- Quoted securities	1,401,328	-	-	1,401,328	
- Unquoted securities	-	253,166	364,985	618,151	
Financial investments at FVOCI					
- Money market instrument	-	16,816,442	-	16,816,442	
- Quoted securities	4,436,851	-	-	4,436,851	
- Unquoted securities	-	8,758,257	97,650	8,855,907	
Derivative financial instruments	26,174	1,981,501	63,994	2,071,669	
	5,864,353	30,706,839	526,629	37,097,821	
Financial Liabilities					
Derivative financial instruments	874	2,239,583	61,479	2,301,936	
Financial liabilities designated at fair value		, , , , , ,		,,	
- Structured deposits linked to interest rate					
derivatives	-	3,157,718	-	3,157,718	
	874	5,397,301	61,479	5,459,654	

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2022: RM Nil).

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

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

	The Bank 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM′000	Total RM'000
Recurring fair value measurements				
<u>Financial Assets</u>				
Financial assets at FVTPL				
- Money market instrument	-	2,382,288	-	2,382,288
- Quoted securities	4,093,382	-	-	4,093,382
- Unquoted securities	-	109,472	355,620	465,092
Financial investments at FVOCI				
- Money market instrument	-	12,182,344	-	12,182,344
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,260,579	83,386	7,343,965
Derivative financial instruments	9,909	1,661,660	104,802	1,776,371
	6,993,503	23,596,343	543,808	31,133,654
<u>Financial Liabilities</u>				
Derivative financial instruments	104	1,608,131	103,510	1,711,745
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate				
derivatives	-	1,983,878	-	1,983,878
	104	3,592,009	103,510	3,695,623

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# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

		5	Financial	
The Group	Financial assets at FVTPL RM′000	Financial investments at FVOCI RM′000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM′000
2023				
At 1 July	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income	9,365	-	18,418	18,418
Net fair value changes recognised in other comprehensive income		14,264		
Purchases	-	-	57,400	56,257
Settlements	-	-	(106,266)	(106,346)
At 30 June	364,985	97,650	74,354	71,839
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023	9,365	-	18,418	18,418
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	-	14,264	-	-

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

		Financial		
The Group	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM′000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM′000
2022				
At 1 July	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income	6,751	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
At 30 June	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	6,751	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

		Financial Assets	;	Financial
The Bank	Financial assets at FVTPL RM′000	Financial investments at FVOCI RM′000	Derivative financial instruments RM′000	Liability Derivative financial instruments RM′000
2023				
At 1 July	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income	9,365	-	18,418	18,418
Net fair value changes recognised in other comprehensive income	-	14,264	-	
Purchases	-	-	47,039	45,897
Settlements	-	-	(106,265)	(106,346)
At 30 June	364,985	97,650	63,994	61,479
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023	9,365	-	18,418	18,418
Total gain recognised in other comprehensive income relating to assets held on 30 June 2023	-	14,264	-	-

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

		Financial Assets			
The Bank	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM′000	Derivative financial instruments RM′000	Liability Derivative financial instruments RM'000	
2022					
At 1 July	348,869	69,094	76,913	76,913	
Fair value changes recognised in statements of income	6,751	-	28,076	28,076	
Net fair value changes recognised in other comprehensive income	-	14,292	-	-	
Purchases	-	-	2,155	863	
Settlements	-	-	(2,342)	(2,342)	
At 30 June	355,620	83,386	104,802	103,510	
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	6,751	_	28,076	28,076	
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-	

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

	The Group a	nd the Bank				Inter-relationship between
Description	Fair value assets RM′000	Fair value liabilities RM′000	Valuation technique(s)	Unobservable input	Range (weighted average)	significant unobservable inputs and fair value measurement
2023						
Financial assets at FVTPL						
Unquoted shares	364,985	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	97,650	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	74,354	(71,839)	Monte Carlo Simulation	Equity volatility	6% to 47%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
Equity derivatives	74,334	(71,637)	Monte Carlo Simulation	Equity / FX Correlation between underliers	-30% to -13%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
2022						
Financial assets at FVTPL						
Unquoted shares	355,620	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	83,386	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	104,802	(103,510)	Monte Carlo Simulation	Equity volatility	7% to 121%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
	104,002	(10,2,0)	Monte Carlo Simulation	Equity / FX Correlation between underliers	-16% to 16%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for Level 3

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM′000
2023			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(22)
		-10%	19
	Equity / FX	+10%	(1)
	Correlation	-10%	(181)
	Total*		(185)
<b>Financial liabilities</b> Derivative financial instruments - Equity derivatives	Equity volatility	+10%	22
		-10%	(19)
	Equity / FX	+10%	1
	Correlation	-10%	181
	Total*		185

\* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-toback with external parties.

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for Level 3 (continued)

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM′000
2022			
<b>Financial assets</b> Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	271
1 /	, , ,	-10%	(355)
	Equity / FX	+10%	35
	Correlation	-10%	121
	Total*		72
Financial liabilities Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(271)
· ·		-10%	355
	Equity / FX	+10%	(35)
	Correlation	-10%	(121)
	Total*		(72)

\* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-toback with external parties.

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

Carrying         Fair Amount         Carrying         Fair Amount         Carrying         Fair Amount           The Group         RM'000		20	23	2022		
The Group         RM'000         RM'000         RM'000         RM'000           Financial Assets         Financial investments at amortised cost         30,567,728         31,205,088         28,415,374         28,758,328           - Woney market         30,567,728         31,205,088         28,415,374         28,758,328           - Unquoted securities         19,117         18,668         62,174         61,526           - Unquoted securities         607,220         615,773         3,880,866         3,887,721           Loans, advances and financing         179,902,847         180,787,089         166,487,621         167,410,862           - X amortised cost         208,087,489         208,355,494         195,227,066         194,983,213           Recourse obligation on loans sold to Cagamas         2,972,220         2,976,763         1,623,937         1,808,376           Tier 2 subordinated bonds         1,501,750         1,504,841         1,502,206         1,508,555         1,718,931           Walti-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931           Pinancial Investments at amortised cost         520,310         527,832         2,650,525         2,657,914           Ounguede securities         157,294,325 <td< th=""><th></th><th>Carrying</th><th>Fair</th><th>Carrying</th><th>Fair</th></td<>		Carrying	Fair	Carrying	Fair	
Financial Assets         30,567,728         31,205,088         28,415,374         28,758,328           - Woney market         30,567,728         31,205,088         28,415,374         28,758,328           - Quoted securities         19,117         18,668         62,174         61,526           - Unqueted securities         607,220         615,773         3,880,866         3,887,721           Loans, advances and financing         179,902,847         180,787,089         166,487,621         167,410,862           Prinancial Liabilities         211,096,912         212,626,618         198,846,035         200,118,437           Financial Liabilities         208,087,489         208,355,494         195,227,066         194,983,213           Recourse obligation on loans sold to Cagamas         2,972,220         2,976,763         1,623,937         1,808,376           Tier 2 subordinated bonds         1,501,750         1,504,841         1,502,206         1,508,555           Multi-currency Additional Tier 1 capital securities         17,15,099         1,712,997         1,715,095         2,718,931           20 uoted securities         19,117         18,668         62,174         61,526           - Money market         21,662,137         22,106,027         20,431,846         20,715,391		Amount	Value	Amount	Value	
Financial investments at amortised cost       30,567,728       31,205,088       28,415,374       28,758,328         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       607,220       615,773       3,880,866       3,887,721         Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         Penotised cost       211,096,912       212,626,618       198,846,035       200,118,437         Financial Liabilities       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Pinancial Assets       19,117       18,668       62,174       61,526         Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,022,761       135,622,392       126,745,536       127,42,444         157,294,325       158,274,919       149,890,081	The Group	RM'000	RM′000	RM'000	RM′000	
Financial investments at amortised cost       30,567,728       31,205,088       28,415,374       28,758,328         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       607,220       615,773       3,880,866       3,887,721         Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         Puposits from customers       211,096,912       212,626,618       198,846,035       200,118,437         Percourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Pinancial Assets       19,117       18,668       62,174       61,526         - Unquoted securities       19,117       18,668       62,174       61,526         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       19,217       18,668       62,174       61,526<	Financial Assets					
- Money market       30,567,728       31,205,088       28,415,374       28,758,328         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       607,220       615,773       3,880,866       3,887,721         Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         211,096,912       212,626,618       198,846,035       200,118,437         Financial Liabilities       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         214,280,968       214,250,027       20,431,846       20,715,391       200,019,075         The Bank       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       19,117       18,668       62,174       61,526         - Unquoted securit						
- Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       607,220       615,773       3,880,866       3,887,721         Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         211,096,912       212,626,618       198,846,035       200,118,437         Financial Liabilities       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,673       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1719,509       1,712,997       1,715,695       1,718,931         Pinancial Investments at amortised cost       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,274,919       149,890,081       150,859,275		30.567.728	31,205,088	28,415,374	28,758,328	
- Unquoted securities       607,220       615,773       3,880,866       3,887,721         Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         211,096,912       212,626,618       198,846,035       200,118,437         Financial Liabilities       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Z14,280,968       214,280,968       214,550,095       200,068,904       200,019,075         The Bank       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,742,4444         Loans, advances obligation on loans sold to Cagamas       1,514,646       1,514,129       <						
Loans, advances and financing       179,902,847       180,787,089       166,487,621       167,410,862         211,096,912       212,626,618       198,846,035       200,118,437         Financial Liabilities       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         214,280,968       214,550,095       200,068,904       200,019,075         The Bank         Financial Assets       21,662,137       22,106,027       20,431,846       20,715,391         Quoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,74,919       149,890,081       150,855,275         Financial Liabilities       159,575,230       159,755,827       153,023,426       152,760,886         Deposits from customers       1,514,646	•			,		
211,096,912         212,626,618         198,846,035         200,118,437           Financial Liabilities Deposits from customers             - At amortised cost             - At amortised bonds             - 1,501,750             1,504,841             1,502,206             1,508,555             Multi-currency Additional Tier 1 capital securities             1,719,509             1,712,997             1,715,695             1,718,931             - 214,280,968             214,550,095             200,068,904             200,019,075             The Bank             Financial Assets             Financial Assets             Financial investments at amortised cost             - Money market             - Quoted securities             19,117             18,668             62,174             61,526             - Unquoted securities             520,310             527,832             2,650,525             2,657,914             Loans, advances and financing             135,092,761             135,622,392             126,745,536             127,424,444             157,294,325             158,274,919             149,890,081             150,859,275             Financial Liabilities             Deposits from customers             - At amortised cost             Recourse obligation on loans sold to Cagamas             1,514,646             1,514,29             502,798             695,926             Tier 2 subordinated bonds             1,501,750             1,504,841             1,502,206             1,508,555             Multi-currency Additional Tier 1 capital securities             1,719,509             1	•					
Deposits from customers       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Z14,280,968       214,550,095       200,068,904       200,019,075         The Bank         Financial Assets       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       135,092,761       135,622,392       126,745,536       127,424,444         Lipeysters         Pinancial Liabilities       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926	<u>_</u>					
Deposits from customers       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Z14,280,968       214,550,095       200,068,904       200,019,075         The Bank         Financial Assets       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         The Bank         Financial Liabilities       Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886						
- At amortised cost       208,087,489       208,355,494       195,227,066       194,983,213         Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931 <b>214,280,968</b> 214,550,095       200,068,904       200,019,075 <b>The Bank</b> Financial investments at amortised cost       21,662,137       22,106,027       20,431,846       20,715,391         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagam	Financial Liabilities					
Recourse obligation on loans sold to Cagamas       2,972,220       2,976,763       1,623,937       1,808,376         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         Z14,280,968       214,550,095       200,068,904       200,019,075         The Bank         Financial Assets       19,117       18,668       62,174       61,526         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         Tisp,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities	Deposits from customers					
Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931         214,280,968       214,550,095       200,068,904       200,019,075         The Bank         Financial Assets         Financial investments at amortised cost       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         The Solities         Deposits from customers       1,514,646       1,514,129       502,798       695,926         - A t amortised cost       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,	- At amortised cost	208,087,489	208,355,494	195,227,066	194,983,213	
Multi-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931           214,280,968         214,550,095         200,068,904         200,019,075           The Bank Financial Assets         21,662,137         22,106,027         20,431,846         20,715,391           - Money market         21,662,137         22,106,027         20,431,846         20,715,391           - Quoted securities         19,117         18,668         62,174         61,526           - Unquoted securities         520,310         527,832         2,650,525         2,657,914           Loans, advances and financing         135,092,761         135,622,392         126,745,536         127,424,444           157,294,325         158,274,919         149,890,081         150,859,275           Financial Liabilities         159,575,230         159,755,827         153,023,426         152,760,886           Recourse obligation on loans sold to Cagamas         1,514,646         1,514,129         502,798         695,926           Tier 2 subordinated bonds         1,501,750         1,504,841         1,502,206         1,508,555           Multi-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931		2,972,220	2,976,763	1,623,937	1,808,376	
214,280,968         214,550,095         200,068,904         200,019,075           The Bank Financial Assets         Financial Assets         21,662,137         22,106,027         20,431,846         20,715,391           - Money market         21,662,137         22,106,027         20,431,846         20,715,391           - Quoted securities         19,117         18,668         62,174         61,526           - Unquoted securities         520,310         527,832         2,650,525         2,657,914           Loans, advances and financing         135,092,761         135,622,392         126,745,536         127,424,444           157,294,325         158,274,919         149,890,081         150,859,275           Financial Liabilities         159,575,230         159,755,827         153,023,426         152,760,886           Recourse obligation on loans sold to Cagamas         1,514,646         1,514,129         502,798         695,926           Tier 2 subordinated bonds         1,501,750         1,504,841         1,502,206         1,508,555           Multi-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931		1,501,750		1,502,206	1,508,555	
The Bank         Financial Assets         Financial investments at amortised cost         - Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities       Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931	Multi-currency Additional Tier 1 capital securities	1,719,509	1,712,997	1,715,695	1,718,931	
Financial Assets       Imancial investments at amortised cost       21,662,137       22,106,027       20,431,846       20,715,391         - Money market       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         Loans, advances and financing       157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities       Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931		214,280,968	214,550,095	200,068,904	200,019,075	
Financial Assets       Imancial investments at amortised cost       21,662,137       22,106,027       20,431,846       20,715,391         - Money market       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         Loans, advances and financing       157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities       Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931						
Financial investments at amortised cost       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         Financial Liabilities         Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931						
- Money market       21,662,137       22,106,027       20,431,846       20,715,391         - Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444          157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities              Deposits from customers       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931						
- Quoted securities       19,117       18,668       62,174       61,526         - Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         Ist7,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities         Deposits from customers       -       -       159,575,230       159,755,827       153,023,426       152,760,886         Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931					20 745 204	
- Unquoted securities       520,310       527,832       2,650,525       2,657,914         Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities         Deposits from customers       -						
Loans, advances and financing       135,092,761       135,622,392       126,745,536       127,424,444         157,294,325       158,274,919       149,890,081       150,859,275         Financial Liabilities       159,575,230       159,755,827       153,023,426       152,760,886         Deposits from customers       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931	•					
Ist,294,325         Ist,274,919         149,890,081         150,859,275           Financial Liabilities         Ist,274,919         149,890,081         150,859,275           Financial Liabilities         Ist,2760,886         Ist,2760,886         Ist,2760,886           Deposits from customers         Ist,14,646         1,514,129         502,798         695,926           Tier 2 subordinated bonds         I,501,750         I,504,841         1,502,206         1,508,555           Multi-currency Additional Tier 1 capital securities         I,719,509         I,712,997         I,715,695         I,718,931	•					
Financial Liabilities           Deposits from customers           - At amortised cost           Recourse obligation on loans sold to Cagamas           1,514,646           1,501,750           1,504,841           1,502,206           1,508,555           Multi-currency Additional Tier 1 capital securities           1,719,509           1,712,997	Loans, advances and financing					
Deposits from customers         159,575,230         159,755,827         153,023,426         152,760,886           - At amortised cost         1,514,646         1,514,129         502,798         695,926           Recourse obligation on loans sold to Cagamas         1,501,750         1,504,841         1,502,206         1,508,555           Tier 2 subordinated bonds         1,719,509         1,712,997         1,715,695         1,718,931		157,294,325	158,274,919	149,890,081	150,859,275	
Deposits from customers         159,575,230         159,755,827         153,023,426         152,760,886           - At amortised cost         1,514,646         1,514,129         502,798         695,926           Recourse obligation on loans sold to Cagamas         1,501,750         1,504,841         1,502,206         1,508,555           Tier 2 subordinated bonds         1,719,509         1,712,997         1,715,695         1,718,931	Financial Liabilities					
At amortised cost159,575,230159,755,827153,023,426152,760,886Recourse obligation on loans sold to Cagamas1,514,6461,514,129502,798695,926Tier 2 subordinated bonds1,501,7501,504,8411,502,2061,508,555Multi-currency Additional Tier 1 capital securities1,719,5091,712,9971,715,6951,718,931						
Recourse obligation on loans sold to Cagamas       1,514,646       1,514,129       502,798       695,926         Tier 2 subordinated bonds       1,501,750       1,504,841       1,502,206       1,508,555         Multi-currency Additional Tier 1 capital securities       1,719,509       1,712,997       1,715,695       1,718,931	•	159 575 230	159 755 877	153 023 426	157 760 886	
Tier 2 subordinated bonds         1,501,750         1,504,841         1,502,206         1,508,555           Multi-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931						
Multi-currency Additional Tier 1 capital securities         1,719,509         1,712,997         1,715,695         1,718,931						
<b>164.311.135 164.48/./94</b> 156./44.1/5 156.684.298		164,311,135	164,487,794	156,744,125	156,684,298	

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2023 but for which fair value is disclosed:

		20	23	
	Carrying		Fair Value	
	Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM′000
The Group				
Financial Assets				
Financial investments at amortised cost				
- Money market	30,567,728	-	31,205,088	-
- Quoted securities	19,117	-	18,668	-
- Unquoted securities	607,220	-	615,773	-
Loans, advances and financing	179,902,847	-	180,787,089	-
	211,096,912	-	212,626,618	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	208,087,489	-	208,355,494	-
Recourse obligation on loans sold to Cagamas	2,972,220	-	2,976,763	-
Tier 2 subordinated bonds	1,501,750	-	1,504,841	-
Multi-currency Additional Tier 1 capital securities	1,719,509	-	1,712,997	-
	214,280,968	-	214,550,095	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	21,662,137	-	22,106,027	-
- Quoted securities	19,117	-	18,668	-
- Unquoted securities	520,310	-	527,832	-
Loans, advances and financing	135,092,761	-	135,622,392	-
	157,294,325	-	158,274,919	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	159,575,230	-	159,755,827	-
Recourse obligation on loans sold to Cagamas	1,514,646	-	1,514,129	-
Tier 2 subordinated bonds	1,501,750	-	1,504,841	-
Multi-currency Additional Tier 1 capital securities	1,719,509	-	1,712,997	-
	164,311,135	-	164,487,794	-

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2022 but for which fair value is disclosed:

		20	22	
	Carrying		Fair Value	
	Amount RM′000	Level 1 RM′000	Level 2 RM'000	Level 3 RM'000
The Group				
Financial Assets				
Financial investments at amortised cost				
- Money market	28,415,374	-	28,758,328	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	3,880,866	-	3,887,721	-
Loans, advances and financing	166,487,621	-	167,410,862	-
	198,846,035	-	200,118,437	-
<u>Financial Liabilities</u>				
Deposits from customers				
- At amortised cost	195,227,066	-	194,983,213	-
Recourse obligation on loans sold to Cagamas	1,623,937	-	1,808,376	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	200,068,904	-	200,019,075	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	20,431,846	_	20,715,391	-
- Quoted securities	62,174	_	61,526	-
- Unquoted securities	2,650,525	-	2,657,914	-
Loans, advances and financing	126,745,536	-	127,424,444	-
	149,890,081	-	150,859,275	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	153,023,426	-	152,760,886	-
Recourse obligation on loans sold to Cagamas	502,798	-	695,926	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	156,744,125	-	156,684,298	-

for the financial year ended 30 June 2023

#### **49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

# (c) Fair value methodologies and assumptions

#### Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

#### Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

# FVTPL, FVOCI and financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

## Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

#### **Deposits from customers**

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

#### Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

#### Recourse obligation on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

#### Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

for the financial year ended 30 June 2023

# 49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

# (c) Fair value methodologies and assumptions (continued)

# Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

#### Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

# Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

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Notes to the Financial Statements for the financial year ended 30 June 2023

# 50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

			The Group					The Bank		
			Related amount not set off in the statements of financial position	t set off in the ncial position				Related amount not set off in the statements of financial position	t set off in the ncial position	
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM <sup>(</sup> 000	Cash collateral received/ pledged RM <sup>*</sup> 000	Net amount RM <sup>,</sup> 000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM′000	Cash collateral received/ pledged RM'000	Net amount RM'000
<b>30 June 2023</b> <u>Financial assets</u> Derivatives/financial instruments	2,168,424	2,168,424	(867,623)	(81,625)	1,219,176	2,071,669	2,071,669	(839,157)	(81,625)	1,150,887
Total	2,168,424	2,168,424	(867,623)	(81,625)	1,219,176	2,071,669	2,071,669	(839,157)	(81,625)	1,150,887
Financial liabilities Derivatives/financial instruments Obligations on securities sold under repurchase	2,387,886	2,387,886	(867,623)	(904,928)	615,335	2,301,936	2,301,936	(839,157)	(904,928)	557,851
agreements	7,399,583	7,399,583	(7,399,583)			7,399,583	7,399,583	(7,399,583)		•
Total	9,787,469	9,787,469	(8,267,206)	(904,928)	615,335	9,701,519	9,701,519	(8,238,740)	(904,928)	557,851

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# Notes to the Financial Statements for the financial year ended 30 June 2023

# 50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

			The Group					The Bank		
			Related amount not set off in the statements of financial position	t set off in the ncial position				Related amount not set off in the statements of financial position	ot set off in the ancial position	
	Gross amount of recognised financial assets/ liabilities in the statements of financial position	Net amount presented in the statements of financial position	Values of the financial instruments	Cash collateral received/ pledged	Net amount	Gross amount of recognised financial assets/ liabilities in the statements of financial position	<ul> <li>Net amount</li> <li>presented</li> <li>in the</li> <li>statements</li> <li>of financial</li> <li>position</li> </ul>	Values of the financial instruments	Cash collateral received/ pledged	Net amount
	RM'000	RM′000	RM′000	RM′000	RM′000	RM′000	RM′000	RM'000	RM′000	RM'000
<b>30 June 2022</b> <u>Financial assets</u> Derivatives/financial instruments	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Total	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Financial liabilities Derivatives/financial instruments Obligations on securities sold	1,736,838	1,736,838	(908,870)	(567,124)	260,844	1,711,745	1,711,745	(904,000)	(567,124)	240,621
under repurchase agreements	3,971,304	3,971,304	(2,755,310)	ı	1,215,994	3,971,304	3,971,304	(2,755,310)		1,215,994
Total	5,708,142	5,708,142	(3,664,180)	(567,124)	1,476,838	5,683,049	5,683,049	(3,659,310)	(567,124)	1,456,615

for the financial year ended 30 June 2023

# 51 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCPB"). The Group and the Bank are also required to maintain CCB of up to 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.0%, 8.5% and 10.5% respectively.

On 19 April 2023, BNM increased the allocation under the BNM's Fund for SMEs by RM1.3 billion through selected facilities namely the High Tech and Green Facility ("HTG"), Automation and Digitalisation Facility ("ADF") and Agrofood Facility ("AF") to further support the micro, small and medium enterprises (SMEs). The Bank will continue to provide support to SMEs involved in strategic sectors or critical technology segments through the HTG facility, incentivise the automation of processes and digitalisation of operations through the ADF facility, and provide financing to increase agrofood production through the AF facility.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

	The C	Group	The	Bank
	2023	2022	2023	2022
Before deducting proposed dividends				
CET I capital ratio	13.310%	13.935%	13.000%	13.912%
Tier I capital ratio	14.353%	15.050%	14.029%	14.999%
Total capital ratio	16.399%	17.176%	16.009%	17.051%
After deducting proposed dividends				
CET I capital ratio	12.824%	13.428%	12.372%	13.266%
Tier I capital ratio	13.866%	14.543%	13.401%	14.353%
Total capital ratio	15.912%	16.669%	15.381%	16.404%

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

for the financial year ended 30 June 2023

# 51 CAPITAL ADEQUACY (CONTINUED)

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

	The G	roup	The B	ank
	2023	2022	2023	2022
	RM'000	RM′000	RM'000	RM'000
CET I capital				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	25,017,703	22,727,982	15,727,832	15,120,482
Other reserves	947,836	592,754	2,905	(283,282)
Less: Treasury shares	(708,766)	(713,690)	(708,766)	(713,690)
Less: Deferred tax assets	(410,436)	(528,771)	(317,985)	(403,666)
Less: Other intangible assets	(362,435)	(304,749)	(326,216)	(269,645)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/associated				
companies	(8,712,976)	(6,455,474)	(3,938,210)	(2,794,291)
Total CET I capital	21,678,677	21,225,803	16,407,076	16,623,424
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	1,698,491	1,698,839	1,698,491	1,698,839
Additional Tier I capital before regulatory adjustments	1,698,491	1,698,839	1,698,491	1,698,839
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	1,698,491	1,698,839	1,298,491	1,298,839
Total Tier I capital	23,377,168	22,924,642	17,705,567	17,922,263
				, ,
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances				
and regulatory reserves #	1,832,523	1,738,471	1,399,403	1,350,820
Subordinated bonds	1,499,089	1,499,970	1,499,089	1,499,970
Less: Investment in Tier 2 Subordinated				
Sukuk Murabahah	-	-	(400,000)	(400,000
Total Tier II capital	3,331,612	3,238,441	2,498,492	2,450,790
Total capital	26,708,780	26,163,083	20,204,059	20,373,053

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM990,816,000 (2022: RM643,141,000) and RM825,318,000 (2022: RM536,432,000) respectively.

for the financial year ended 30 June 2023

# 51 CAPITAL ADEQUACY (CONTINUED)

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

	The G	iroup	The l	Bank
	2023 RM′000	2022 RM′000	2023 RM′000	2022 RM′000
Credit risk *	146,601,855	139,077,644	111,952,229	108,065,582
Market risk	6,124,089	3,917,894	6,120,834	3,934,497
Operational risk	10,143,761	9,327,630	8,131,845	7,485,705
Total RWA	162,869,705	152,323,168	126,204,908	119,485,784

- \* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,588,912,000 (2022: RM1,899,820,000) is excluded from the calculation of capital adequacy ratio of the Group.
- (d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	_	ng Islamic 3erhad
	2023	2022
Before deducting proposed dividends		
CET I capital ratio	11.423%	11.176%
Tier I capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%
After deducting proposed dividends		
CET I capital ratio	11.423%	11.176%
Tier I capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%

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# 52 SEGMENT REPORTING

# **Business segment reporting**

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries and Associates. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

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# 52 SEGMENT REPORTING (CONTINUED)

# **Business segment reporting (continued)**

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM′000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total
2023							
Revenue							
- external	3,489,591	1,062,596	916,144	378,173	(125,409)	(35,586)	5,685,509
- inter-segment ^	(277,500)	575,743	(638,327)	4,542	335,542	-	-
Segment revenue	3,212,091	1,638,339	277,817	382,715	210,133	(35,586)	5,685,509
Overhead expenses of which:	(1,402,549)	(396,436)	(116,399)	(277,174)	(27,307)	(13,417)	(2,233,282)
Depreciation of property and equipment	38,972	5,025	2,514	5,189	58,204	135	110,039
Amortisation of intangible assets	9,569	4,729	2,396	15,123	26,315		58,132
(Allowance for)/written back of impairment losses on loans, advances and financing	(39,957)	(64,545)	-	(10,883)	-	3	(115,382)
Written back of/(allowance for) impairment losses on financial investments and other assets		-	3,093	63		(2,850)	306
Share of results of associated companies				1,289,480		-	1,289,480
Segment results	1,769,585	1,177,358	164,511	1,384,201	182,826	(51,850)	4,626,631
Taxation							(808,435)
Net profit for the financial year							3,818,196
Segment assets	117,470,664	49,536,437	73,326,625	24,149,486	-	-	264,483,212
Unallocated assets							15,367,242
Total assets							279,850,454
Segment liabilities	107,753,684	63,913,698	41,221,530	22,967,144	-	-	235,856,056
Unallocated liabilities							10,007,746
Total liabilities							245,863,802
Other significant segment items							
Capital expenditure	38,945	11,580	3,020	18,575	97,105		169,225

^ Inter-segment transfer is based on internally computed cost of funds.

Note:

1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.

2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

for the financial year ended 30 June 2023

# 52 SEGMENT REPORTING (CONTINUED)

# **Business segment reporting (continued)**

The Group	Personal Financial Services RM′000	Business & Corporate Banking RM'000	Global Markets RM′000	Overseas/ International Operations RM'000	Other Operations RM′000	Inter- Segment Elimination RM'000	Total RM'000
2022							
Revenue							
- external	2,918,509	1,107,574	1,240,295	358,549	371,236	(398,755)	5,597,408
- inter-segment ^	(83,039)	381,506	(558,977)	-	260,510	-	-
Segment revenue	2,835,470	1,489,080	681,318	358,549	631,746	(398,755)	5,597,408
Overhead expenses of which:	(1,329,780)	(373,323)	(120,314)	(243,938)	(17,863)	(13,158)	(2,098,376)
Depreciation of property and equipment	44,772	5,348	3,437	6,107	61,700	135	121,499
Amortisation of intangible assets	8,899	3,122	2,051	12,130	27,760	-	53,962
Written back of/(allowance for) impairment losses on loans, advances and financing	24,545	(198,875)	-	(5,993)	18,482	(1,733)	(163,574)
Written back of impairment losses on financial investments and other assets	-	-	280	26	-	545	851
Share of results of associated companies	-	-	-	1,030,491	-	-	1,030,491
Segment results	1,530,235	916,882	561,284	1,139,135	632,365	(413,101)	4,366,800
Taxation							(1,077,517)
Net profit for the financial year							3,289,283
Segment assets	109,645,119	46,241,725	71,619,480	19,376,615	-	-	246,882,939
Unallocated assets							7,448,438
Total assets							254,331,377
Segment liabilities	106,909,492	52,396,000	39,316,576	18,273,006	-	-	216,895,074
Unallocated liabilities							6,447,327
Total liabilities							223,342,401
Other significant segment items							
Capital expenditure	43,504	24,091	5,705	24,581	53,239	-	151,120

^ Inter-segment transfer is based on internally computed cost of funds.

Note:

1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.

2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

for the financial year ended 30 June 2023

#### 52 SEGMENT REPORTING (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Non-current assets RM′000	Total assets RM′000	Total liabilities RM'000	Capital expenditure RM'000
2023					
Malaysia	5,307,336	3,293,611	255,700,968	222,896,658	150,650
Overseas operations	378,173	8,844,449	24,149,486	22,967,144	18,575
	5,685,509	12,138,060	279,850,454	245,863,802	169,225
2022					
Malaysia	5,238,859	3,323,753	234,954,762	205,069,395	126,539
Overseas operations	358,549	6,590,106	19,376,615	18,273,006	24,581
	5,597,408	9,913,859	254,331,377	223,342,401	151,120

# 53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 14 October 2022, the Bank issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("HLB Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The HLB Capital Securities carry a distribution rate of 4.70% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and as updated from time to time and for the refinancing of an existing tranche of RM400.0 million in nominal value of HLB Capital Securities issued previously under the HLB AT1 Programme on 30 November 2017.
- (b) On 30 November 2022, the Bank had fully redeemed the RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities bearing coupon rate of 5.13% per annum.
- (c) On 17 January 2023, the Bank announced that it had placed EB Nominees (Tempatan) Sendirian Berhad ("EB Nominees (Tempatan)"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Tempatan) is dormant.
- (d) On 19 June 2023, the Bank issued a fourth tranche of RM500.0 million nominal value of 10-year non-callable 5 years Tier 2 Subordinated Notes ("Sub Notes") callable on 19 June 2028 (and thereafter) and due on 17 June 2033 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this fourth tranche of the Sub Notes is 4.20% per annum, which is payable semi-annually in arrears from the date of the issue.
- (e) On 26 June 2023, the Bank had fully redeemed the RM500.0 million nominal value Tier 2 Subordinated Notes bearing coupon rate of 4.86% per annum.

for the financial year ended 30 June 2023

# 53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

# 54 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

# 55 EQUITY COMPENSATION BENEFITS

# **Executive Share Scheme**

The Bank has concurrently implemented two (2) Executive Share Schemes during the financial year ended 30 June 2023.

(a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

The main features of the ESS 2013 are, inter alia, as follows:

- 1. Eligible executives are persons as defined by the ESS 2013 Bye-Laws.
- 2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 23 October 2013 and 25 October 2012. The Board, as defined by the ESS 2013 Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.
- 3. At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time.
- 4. The exercise of the options under the ESOS 2013 or the vesting of shares under the ESGS 2013 may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS 2013; or a combination of both new shares and existing shares.
- (i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

for the financial year ended 30 June 2023

#### 55 EQUITY COMPENSATION BENEFITS (CONTINUED)

- (a) ESS 2013 (continued)
  - (i) ESOS 2013 (continued)

The main features of the ESOS 2013 are, inter alia, as follows:

- 1. The option price for the options to be granted under the ESOS 2013 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day volume weighted average market price of the shares of the Bank preceding the date of offer as defined by the ESS Bye-Laws.
- 2. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS 2013 plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2023, there were no share options remain outstanding under the ESOS 2013.

The ordinary share options of the Bank granted under the ESOS 2013 that are still outstanding for the financial year ended 30 June 2022 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (adjusted to RM13.77 following the completion of the Rights Issue):

2022			Adjustment			Outstanding	Exercisable
		As at	for			As at	As at
Grant date	Expiry date	1-Jul-21	rights issue	Forfeited	Exercised	30-Jun-22	30-Jun-22
2 April 2015	28 July 2021	66,502	-	-	(66,502)	-	-
		66,502	-	-	(66,502)	-	-

(B) 22,750,000 share options at an exercise price of RM16.46:

2022					(	Outstanding	Exercisable
Grant date	Expiry date	As at 1-Jul-21	Granted	Forfeited	Exercised	As at 30-Jun-22	As at 30-Jun-22
15 December 2017	7 31 August 2021	4,760,000	-	(4,760,000)	-	-	-
15 December 2017	7 31 August 2022	4,760,000	-	(4,760,000)	-	-	-
15 December 2017	7 31 August 2023	2,380,000	-	(2,380,000)	-	-	-
		11,900,000	-	(11,900,000)*	-	-	-

\* During the financial year ended 30 June 2022, a total of 11,900,000 options were forfeited and in lieu converted to 1,292,356 ordinary shares under ESGS 2013.

for the financial year ended 30 June 2023

# 55 EQUITY COMPENSATION BENEFITS (CONTINUED)

- (a) ESS 2013 (continued)
  - (ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and had expired on 11 March 2023.

The shares to be vested to a grant holder under the ESGS 2013 will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

(A) 250,514 ordinary shares at date of grant:

2022						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-21	Granted	Forfeited	Transferred	30-Jun-22	30-Jun-22
8 January 2020	31 July 2021	115,254	-	(167)	(115,087)	-	-

(B) 228,728 ordinary shares at date of grant:

2023						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-22	Granted	Forfeited	Transferred	30-Jun-23	30-Jun-23
15 January 2021	31 July 2022	112,400	-	(106)	(112,294)	-	-

2022						Outstanding Exercisable	
		As at				As at	As at
Grant date	Vesting date	1-Jul-21	Granted	Forfeited	Transferred	30-Jun-22	30-Jun-22
15 January 2021	31 January 2022	114,300	-	(1,739)	(112,561)	-	-
15 January 2021	31 July 2022	114,300	-	(1,900)	-	112,400	-
		228,600	-	(3,639)	(112,561)	112,400	-

# (C) 1,292,356 ordinary shares at date of grant:

2023						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-22	Granted	Forfeited 1	<b>Transferred</b>	30-Jun-23	30-Jun-23
3 November 2021	24 November 2022	430,785	-	-	(430,785)	-	-
3 November 2021	24 November 2023	430,786	-	-	-	430,786	-
		861,571	-	-	(430,785)	430,786	-

for the financial year ended 30 June 2023

#### 55 EQUITY COMPENSATION BENEFITS (CONTINUED)

- (a) ESS 2013 (continued)
  - (ii) ESGS 2013 (continued)
  - (C) 1,292,356 ordinary shares at date of grant: (continued)

2022						Outstanding Exercisable	
Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	As at 30-Jun-22	As at 30-Jun-22
3 November 202	1 24 November 2021	-	430,785	-	(430,785)	-	-
3 November 202	1 24 November 2022	-	430,785	-	-	430,785	-
3 November 202	1 24 November 2023	-	430,786	-	-	430,786	-
		-	1,292,356	-	(430,785)	861,571	-

During the financial year ended 30 June 2023, a total of 543,079 ordinary shares were vested and transferred pursuant to the Bank's ESGS 2013, 106 ordinary shares forfeited with 430,786 ordinary shares remain outstanding.

The invested grant shares consisting of 430,785 ordinary shares granted under ESGS 2013 had been transferred to the new ESS 2022 established on 10 March 2023 due to the expiry of the ESS 2013 on 11 March 2023.

(b) Executive Share Scheme 2022 ("ESS 2022")

The ESS 2022, which is governed by the bye-laws ("Bye-Laws"), entails the making of one (1) or more of the following offers to the Eligible Executives:

- (i) option(s) under the ESOS which entitle an Eligible Executive who has accepted the offer ("Option Holder(s)") to acquire ordinary shares in HLB ("Shares") at an exercise price to be determined by the Board at its discretion ("Option Price") ("Option(s)"); and/or
- (ii) grant(s) under the ESGS which entitle an Eligible Executive who has accepted the offer ("Grant Holder(s)") to receive Shares without any consideration payable by the Grant Holder ("Grant(s)").

The Board may at its discretion impose such vesting conditions (including financial and performance targets, the performance period and vesting period, if any) as it deems fit with the offer of the Options and/or Grants ("Offer(s)"). In determining whether to make an Option Offer and/or a Grant Offer, the Board may take into consideration various factors such as market practice, the quantum of the award, the length of the performance period and the performance targets.

In implementing the ESS 2022, it is the intention of the Bank to have the flexibility, at the absolute discretion of the Board, to enable the satisfaction of the Options and/or Grants through the following:

- (i) transfer of existing Shares (other than treasury Shares); and/or
- (ii) cash settlement pursuant to the Bye-Laws.

for the financial year ended 30 June 2023

# 55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) ESS 2022 (continued)

ESGS 2022

(A) 253,416 ordinary shares at date of grant:

2023						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-22	Granted	Forfeited	Transferred	30-Jun-23	30-Jun-23
21 March 2022	31 January 2023	126,708	_	(1 767)	(125,445)	-	_
	5 I January 2025	120,700		(1,203)	(125,445)	-	
21 March 2022	31 July 2023	126,708	-	(1,263)		125,445	-
		253,416	-	(2,526)	(125,445)	125,445	-

2022						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Iul-21	Granted	Forfaitad	Transferred	As at	As at
Giant Gate	vesting date	1-Jui-21	Granteu	roneneu	Industerieu	50-Juli-22	50-Juli-22
21 March 2022	31 January 2023	-	126,708	-	-	126,708	-
21 March 2022	31 July 2023	-	126,708	-	-	126,708	-
		-	253,416	-	-	253,416	-

(B) 124,944 ordinary shares at date of grant:

2023						Outstanding Exercisable	
		As at				As at	As at
Grant date	Vesting date	1-Jul-22	Granted	Forfeited	Transferred	30-Jun-23	30-Jun-23
1 March 2023	31 January 2024	-	62,472	-	-	62,472	-
1 March 2023	31 July 2024	-	62,472	-	-	62,472	-
		-	124,944	-	-	124,944	-

# (C) 123,608 ordinary shares at date of grant:

2023						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-22	Granted	Forfeited	Transferred	As at 30-Jun-23	As at 30-Jun-23
	<u> </u>						,
15 May 2023	31 January 2024	-	61,804	-	-	61,804	-
15 May 2023	31 July 2024	-	61,804	-	-	61,804	-
		-	123,608	-	-	123,608	-

During the financial year ended 30 June 2023, 124,944 ordinary shares and 123,608 ordinary shares have been granted on 1 March 2023 and 15 May 2023 respectively to eligible executives of the Bank pursuant to the Bank's ESS 2022.

for the financial year ended 30 June 2023

#### 55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) ESS 2022 (continued)

ESGS 2022 (continued)

During the financial year ended 30 June 2023, a total of 125,445 ordinary shares were vested and transferred pursuant to the Bank's ESS 2022, 2,526 ordinary shares forfeited with 373,997 ordinary shares remain outstanding.

During the financial year ended 30 June 2023, the Group and the Bank had written back the provision of share-based compensation expense arising from ESS of RM12.6 million (2022: a charge of RM6.9 million).

(c) Treasury shares for ESS

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

		The Group a	nd The Bank		
	202	3	2022		
	Number of		Number of		
	trust shares	Market	trust shares	Market	
	held	value	held	value	
	'000	RM'000	'000	RM'000	
As at end of the financial year	37,596	712,820	38,265	782,902	

for the financial year ended 30 June 2023

# 56 IBOR REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR"), London Interbank Offered Rate denominated in USD ("USD LIBOR") and other inter-bank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group and the Bank have designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's and the Bank's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to KLIBOR and USD LIBOR. These fair value hedges are designated using interest rate swaps, for changes attributable to the respective current benchmark interest rates, which are MYR KLIBOR, Secured Overnight Financing Rate ("SORR") and Singapore Overnight Rate Average ("SORA").

As part of the reforms noted above:

- In 2021, BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM had discontinued the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three- and six-month KLIBOR tenors, which continue to reflect an active underlying market, continued to be published. The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivative contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.
- The UK Financial Conduct Authority ("FCA") has decided not to compel the panel banks to participate in the USD LIBOR submission process after 31 December 2021 (for GBP, EUR, JPY, CHF LIBOR and USD LIBOR 1-week and 2-month tenors) and after 30 June 2023 (the remaining US dollar settings).
- The Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee have discontinued the 6-month SIBOR on 31 March 2022, while the 1-month and 3-month SIBOR will be discontinued after December 2024.

The SOFR is expected to replace the USD LIBOR, and regulatory authorities and private sector working groups, had published recommendations to use USD SOFR compounded in arrears or USD Term SOFR, as alternatives to replace USD LIBOR for different financial products.

The Group Asset and Liability Committee oversees the Group's and the Bank's IBOR transition plan. The transition plan considers changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Group and the Bank continue to monitor market developments in relation to the transition and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

for the financial year ended 30 June 2023

# 56 IBOR REFORM (CONTINUED)

The Group and the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark:

		The (	Group	The	Bank
		Notiona	Amount	Notional	Amount
202	23	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(a)	Derivative assets/liabilities				
	(i) Interest rate swaps - KLIBOR	58,825,948	62,576,051	58,683,091	62,544,601
	<ul><li>(ii) Cross currency swaps</li><li>- USD LIBOR</li></ul>	1,590,860	2,346,479	1,590,860	2,346,479
	(iii) Option - KLIBOR	4,297,008	821,860	3,859,768	821,860
(b)	Deposits from customers (i) Structured deposits				
	- KLIBOR	-	3,857,080	-	3,413,390
(c)	Loans, advances and financing				
	- KLIBOR	330,773	-	330,773	-
	- USD LIBOR	968,899	-	525,881	-
		1,299,672	-	856,654	-

for the financial year ended 30 June 2023

# 56 IBOR REFORM (CONTINUED)

The Group and the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark: (continued)

			The G	iroup	The f	Bank
			Notional	Amount	Notional	Amount
202	22		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(a)	Deri	vative assets/liabilities				
	(i)	Interest rate swaps				
		- USD LIBOR	66,083	198,248	66,083	198,248
		- KLIBOR	40,262,092	45,944,731	40,065,663	45,944,731
			40,328,175	46,142,979	40,131,746	46,142,979
	(ii)	Cross currency swaps				
	~ /	- USD LIBOR	1,959,061	3,050,298	1,916,393	3,050,298
	(iii)	Option				
		- KLIBOR	2,458,510	100,000	2,358,510	100,000
(b)	Dep	osits from customers				
	(i)	Structured deposits				
		- KLIBOR	_	2,418,510	-	2,318,510
(c)	Loar	ns, advances and financing				
	-	KLIBOR	457,376	-	457,376	-
	-	USD LIBOR	1,258,226	-	924,213	-
			1,715,602	-	1,381,589	-
(d)	Bono	ds				
	-	USD LIBOR	88,110	-	88,110	-

for the financial year ended 30 June 2023

#### 57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, private consumption, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- (i) Determining criteria for significant increase in credit risk;
- (ii) Choosing appropriate models and assumptions for the measurement of ECL;
- (iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- (iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 48(d)(viii) to the financial statements.

While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group and the Bank have applied overlays to determine a sufficient overall level of ECL for the financial year ended 30 June 2023 amidst the on-going geopolitical conflicts, inflationary pressures from supply disruptions and elevated energy prices, and global monetary tightening coupled with the reopening of China's border/slower global growth that may have the impact to our economy.

The details of overlays and adjustments for expected credit losses are disclosed in Note 48(d)(ix) to the financial statements.

#### 58 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 30, Menara Hong Leong, No.6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 September 2023.

# Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Tan Kong Khoon and Lau Souk Huan, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 170 to 368 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 30 June 2023 and the financial performance and the cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

On behalf of the Board,

Tan Kong Khoon

# Lau Souk Huan

Kuala Lumpur 19 September 2023

# Statutory Declaration pursuant to Section 251(1) of the Companies Act 2016

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I, Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 170 to 368 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh at Kuala Lumpur in Wilayah Persekutuan on 19 September 2023

Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh MIA No. CA9305

Before me,

# Independent Auditors' Report

to the members of Hong Leong Bank Berhad

# **Report on the Audit of the Financial Statements**

## Our opinion

In our opinion, the financial statements of Hong Leong Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 170 to 368.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

to the members of Hong Leong Bank Berhad

### Report on the Audit of the Financial Statements (continued)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of loans, advances and financing for the Group and the Bank	We understood and tested the design and operating effectiveness of the controls relating to:
Refer to Note 2N of the summary of significant accounting policies and Notes 8, 37 and 57 to the financial statements.	<ul> <li>Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss;</li> </ul>
We focused on this area due to the significant size of the carrying value of loans, advances and financing.	• Governance over the impairment processes, including model development, model approval and model validation, model monitoring and overlay;
The expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and	• Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and
significant assumptions about future economic conditions and credit behaviour.	Calculation, review and approval of the ECL computation.
This is also an area of focus as it involves making significant judgement in applying the	Individual assessment
accounting requirements for measuring ECL, which include the following:	Where the loans, advances and financing are individually assessed, we performed the following procedures:
<ul> <li>Building and selecting the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model;</li> </ul>	• Examined a sample of loans, advances and financing with focus on loans, advances and financing identified by the Group and the Bank as having lower credit quality, rescheduled and restructured, borrowers in high risk industries and borrowers affected by recent adverse market developments and formed our own judgement as to whether there was a significant increase in credit risk or objective evidence of impairment; and
<ul> <li>Identification of loans, advances and financing that have experienced a significant increase in credit risk; and</li> </ul>	<ul> <li>Where objective evidence of impairment was identified and impairment loss was individually calculated, we assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation,</li> </ul>
<ul> <li>Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty that may impact the ECL.</li> </ul>	challenging the assumptions and comparing estimates to external evidence where available. We also reperformed the calculations of discounted cash flows.

to the members of Hong Leong Bank Berhad

### Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	Collective assessment
	To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have:
	• Assessed the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models;
	<ul> <li>Assessed and considered the reasonableness of forward-looking forecasts assumptions;</li> </ul>
	• Assessed the reasonableness and tested the calculation of model overlay adjustments to the ECL;
	• Checked the accuracy of data inputs used in ECL models and checked the calculation of ECL amount on a sampling basis; and
	• Involved our financial risk modelling experts and IT specialists in areas such as reviewing the appropriateness of the ECL models and data reliability.
	Based on the procedures performed, we did not find any material exceptions to the Group's and the Bank's assessment on impairment of loans, advances and financing as at 30 June 2023.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

to the members of Hong Leong Bank Berhad

### Report on the Audit of the Financial Statements (continued)

### Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

to the members of Hong Leong Bank Berhad

### Report on the Audit of the Financial Statements (continued)

### Auditors' responsibilities for the audit of the financial statements (continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

### **Other Matters**

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146 Chartered Accountants

Kuala Lumpur 19 September 2023 **LEE TZE WOON KELVIN** 03482/01/2024 J Chartered Accountant

for the financial year ended 30 June 2023

### 1. INTRODUCTION

The risk profile and risk management practices of Hong Leong Bank Berhad and its banking subsidiaries (collectively known as "the Bank") are disclosed in this document. These disclosures are in accordance with the requirements outlined in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank ("CAFIB") - Disclosure requirements (Pillar 3) issued by BNM.

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCPB"). The Bank is also required to maintain CCB of up to 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.0%, 8.5% and 10.5% respectively.

On 19 April 2023, BNM increased the allocation under the BNM's Fund for SMEs by RM1.3 billion through selected facilities namely the High Tech and Green Facility (HTG), Automation and Digitalisation Facility (ADF) and Agrofood Facility (AF) to further support the micro, small and medium enterprises (SMEs). The Bank will continue to provide support to SMEs involved in strategic sectors or critical technology segments through the HTG facility, incentivise the automation of processes and digitalisation of operations through the ADF facility, and provide financing to increase agrofood production through the AF facility.

The Bank has adopted the Standardised Approach for the computation of Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

The following information concerning the Bank's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report and does not form part of the audited financial statements.

### 2. SCOPE OF APPLICATION

The capital adequacy ratios of the Bank consist of capital base and RWA derived from the consolidated balances of the Bank and its banking subsidiaries, namely Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Bank Vietnam Limited and Hong Leong Bank (Cambodia) PLC.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as disclosed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) or where separation requirements (set by BNM) are met by entities.

During the course of the year, the Bank did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Bank.

for the financial year ended 30 June 2023

### 3. CAPITAL STRUCTURE AND ADEQUACY

The Bank monitors its capital adequacy position to ensure compliance with the requirements of BNM and allows for prompt actions to be taken to address projected capital deficiency. The capital position is reviewed on a monthly basis and takes into account the levels and trends of material risks. The sufficiency of capital is assessed against various risks on the balance sheet as well as future capital requirements based on the Bank's business plans.

The Bank has also formalised an overall capital management and planning policy, which seeks to ensure that it is in line with Basel III Capital Standards.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Bank as at 30 June 2023. BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the minimum capital adequacy ratios for the banking institutions and the methodologies for calculating these ratios. As at 30 June 2023, the Bank's CET I, Tier I capital ratio and Total capital ratio were higher than BNM's minimum requirements.

BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the constituents of the total eligible capital for the Bank. For the main features of these capital instruments, please refer to Note 26 and Note 27 to the financial statements.

### <u>Basel III</u>

- The Bank The Group 30 June 2023 30 June 2022 30 June 2023 30 June 2022 Before deducting proposed dividends CET I capital ratio 13.310% 13.935% 13.000% 13.912% Tier I capital ratio 14.353% 15.050% 14.029% 14.999% Total capital ratio 16.399% 17.176% 16.009% 17.051% After deducting proposed dividends CET I capital ratio 12.824% 13.428% 12.372% 13.266% Tier I capital ratio 13.401% 14.353% 13.866% 14.543% Total capital ratio 15.912% 16.669% 15.381% 16.404%
- (a) The capital adequacy ratios of the Group and the Bank are as follows:

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### **Basel III** (continued)

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

	The	Group	The	Bank
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM′000	RM′000	RM'000
CET I capital				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	25,017,703	22,727,982	15,727,832	15,120,482
Other reserves	947,836	592,754	2,905	(283,282)
Less: Treasury shares	(708,766)	(713,690)	(708,766)	(713,690)
Less: Deferred tax assets	(410,436)	(528,771)	(317,985)	(403,666)
Less: Other intangible assets	(362,435)	(304,749)	(326,216)	(269,645)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/associated				
companies	(8,712,976)	(6,455,474)	(3,938,210)	(2,794,291)
Total CET I capital	21,678,677	21,225,803	16,407,076	16,623,424
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	1,698,491	1,698,839	1,698,491	1,698,839
Additional Tier I capital before regulatory adjustments	1,698,491	1,698,839	1,698,491	1,698,839
Less: Investments in Additional Tier 1 perpetual				
subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	1,698,491	1,698,839	1,298,491	1,298,839
Total Tier I capital	23,377,168	22,924,642	17,705,567	17,922,263
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances				
and regulatory reserves #	1,832,523	1,738,471	1,399,403	1,350,820
Subordinated bonds	1,499,089	1,499,970	1,499,089	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk				
Murabahah	-	-	(400,000)	(400,000)
Total Tier II capital	3,331,612	3,238,441	2,498,492	2,450,790
Total Capital	26,708,780	26,163,083	20,204,059	20,373,053

# Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM990,816,000 (2022: RM643,141,000) and RM825,318,000 (2022: RM536,432,000) respectively.

for the financial year ended 30 June 2023

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### **Basel III** (continued)

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

	The	Group	The	Bank
	30 June 2023 RM′000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Credit risk *	146,601,855	139,077,644	111,952,229	108,065,582
Market risk	6,124,089	3,917,894	6,120,834	3,934,497
Operational risk	10,143,761	9,327,630	8,131,845	7,485,705
Total RWA	162,869,705	152,323,168	126,204,908	119,485,784

- \* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,588,912,000 (2022: RM1,899,820,000) is excluded from the calculation of capital adequacy ratio of the Group.
- (d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Isla	mic Bank Berhad
	30 June 2023	30 June 2022
Before deducting proposed dividends		
CET I capital ratio	11.423%	11.176%
Tier I capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%
After deducting proposed dividends		
CET I capital ratio	11.423%	11.176%
Tier I capital ratio	12.653%	12.550%
Total capital ratio	15.051%	15.101%

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### **Basel III** (continued)

(e) The breakdown of RWA by exposure is as follows:

The Group	Gross exposures before CRM RM′000	Net exposures after CRM RM′000	Risk weighted assets RM′000	Minimum capital requirements at 8% RM'000
30 June 2023 Exposure Class			Kin ooo	
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	59,748,413	59,748,413	-	-
Public Sector Entities	25,848	25,848	5,170	414
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	11,375,031	11,375,031	3,666,329	293,306
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	643,986	615,986	615,986	49,279
Corporates	58,341,208	55,931,802	49,626,908	3,970,153
Regulatory Retail	53,792,198	53,430,691	40,340,954	3,227,276
Residential Mortgages	69,768,087	69,737,838	31,979,976	2,558,398
Higher Risk Assets	16,660	16,660	24,990	1,999
Other Assets	6,064,948	6,064,948	3,257,175	260,574
Defaulted Exposures	645,007	620,212	667,381	53,390
Total On-Balance Sheet Exposures	260,421,386	257,567,429	130,184,869	10,414,789
·			·	
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	4,193,781	4,193,781	2,180,837	174,467
Credit Derivatives	71,411	71,411	17,317	1,385
Off-Balance Sheet Exposures Other Than	44 007 040	44 475 433	44402407	
OTC Derivatives or Credit Derivatives	16,927,260	16,675,422	14,193,197	1,135,456
Defaulted Exposures	15,118	15,118	25,635	2,051
Total Off-Balance Sheet Exposures Total On and Off-Balance Sheet Exposures	21,207,570^	20,955,732	16,416,986	1,313,359
	281,628,956	278,523,161	146,601,855	11,728,148
Market Risk	Long Position	Short Position		
Interest Rate Risk	142,997,388	139,141,596	5,331,875	426,550
Foreign Currency Risk	337,822	625,067	705,852	56,468
Equity Risk	14,303	-	61,376	4,910
Option Risk	-	-	24,986	1,999
Total	143,349,513	139,766,663	6,124,089	489,927
		, ,	, ,,,,,,,,	
Operational Risk			10,143,761	811,501
Total RWA and Capital Requirements			162,869,705	13,029,576

Note:

CRM - credit risk mitigation

<sup>^</sup> The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410.

for the financial year ended 30 June 2023

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### **Basel III** (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM′000	Risk weighted assets RM′000	Minimum capital requirements at 8% RM′000
30 June 2022 Exposure Class				
Credit Risk On-Balance Sheet Exposures				
Sovereigns/Central Banks	52,853,792	52,853,792	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, DFIs and MDBs	11,007,818	11,007,818	3,164,386	253,151
Insurance Cos, SF and FM	555,839	555,751	555,751	44,460
Corporates	50,328,255	47,937,295	44,153,757	3,532,301
Regulatory Retail	50,995,417	50,602,924	38,053,868	3,044,309
Residential Mortgages	67,829,157	67,792,218	31,323,115	2,505,849
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	8,006,453	8,006,453	5,857,939	468,635
Defaulted Exposures	507,924	506,712	587,609	47,009
Total On-Balance Sheet Exposures	242,250,050	239,428,358	123,849,412	9,907,954
Off-Balance Sheet Exposures				
OTC Derivatives	3,288,070	3,288,070	1,795,810	143,665
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than		,	7,001	
OTC Derivatives or Credit Derivatives	16,274,365	16,023,952	13,400,965	1,072,077
Defaulted Exposures	14,598	14,306	22,073	1,766
Total Off-Balance Sheet Exposures	19,623,949^	19,373,244	15,228,232	1,218,259
Total On and Off-Balance Sheet Exposures	261,873,999	258,801,602	139,077,644	11,126,213
· · ·		Chart		
Market Risk	Long Position	Short Position		
Interest Rate Risk	99,433,427	96,569,029	3,336,424	266,914
Foreign Currency Risk	323,629	520,701	565,592	45,247
Option Risk	-	-	15,878	1,270
Total	99,757,056	97,089,730	3,917,894	313,431
Operational Risk			9,327,630	746,210
Total RWA and Capital Requirements			152,323,168	12,185,854

Note:

^

The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 411.

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM′000	Minimum capital requirements at 8% RM′000
30 June 2023 Exposure Class				
Credit Risk On-Balance Sheet Exposures Sovereigns/Central Banks	45,204,417	45,204,417	_	
Public Sector Entities	25,848	25,848	5,170	414
Banks, DFIs and MDBs Insurance Cos, SF and FM	11,673,413 568,272	11,673,413 540,272	3,655,005 540,272	292,400 43,222
Corporates	44,567,163	42,643,691	38,089,653	3,047,172
Regulatory Retail	37,892,261	37,567,570	28,280,051	2,262,404
Residential Mortgages	54,474,676	54,448,755	24,624,342	1,969,947
Higher Risk Assets Other Assets	16,660 5,665,880	16,660 5,665,880	24,990 3,206,600	1,999 256,528
Defaulted Exposures	440,638	438,556	494,077	39,526
Total On-Balance Sheet Exposures	200,529,228	198,225,062	98,920,160	7,913,612
Off-Balance Sheet Exposures				
OTC Derivatives	3,887,086	3,887,086	2,060,262	164,821
Credit Derivatives	71,411	71,411	17,317	1,385
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,103,967	12,871,416	10,937,743	875,019
Defaulted Exposures	9,226	9,226	16,747	1,340
Total Off-Balance Sheet Exposures	17,071,690^	16,839,139	13,032,069	1,042,565
Total On and Off-Balance Sheet Exposures	217,600,918	215,064,201	111,952,229	8,956,177
	Long	Short		
Market Risk	Position	Position		
Interest Rate Risk	141,691,782	138,594,856	5,422,468	433,797
Foreign Currency Risk	243,974	612,004	612,004	48,960
Equity Risk Option Risk	14,303	-	61,376 24,986	4,910 1,999
Total	141,950,059		6,120,834	489,666
Operational Risk			8,131,845	650,548
Total RWA and Capital Requirements			126,204,908	10,096,391

Note:

 The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412.

for the financial year ended 30 June 2023

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### **Basel III** (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM′000	Net exposures after CRM RM′000	Risk weighted assets RM′000	Minimum capital requirements at 8% RM'000
30 June 2022 Exposure Class				
Credit Risk On-Balance Sheet Exposures				
Sovereigns/Central Banks	38,786,478	38,786,478	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, DFIs and MDBs	12,751,686	12,751,686	3,407,186	272,575
Insurance Cos, SF and FM	555,649	555,561	555,561	44,445
Corporates	38,625,466	36,547,316	34,139,739	2,731,179
Regulatory Retail	37,157,396	36,799,188	27,699,373	2,215,950
Residential Mortgages	53,218,307	53,186,896	24,122,578	1,929,806
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	7,131,626	7,131,626	5,262,359	420,989
Defaulted Exposures	411,499	410,571	482,587	38,607
Total On-Balance Sheet Exposures	188,803,502	186,334,717	95,822,370	7,665,791
Off-Balance Sheet Exposures				
OTC Derivatives	3,101,893	3,101,893	1,722,632	137,811
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than	,	,	- /	
OTC Derivatives or Credit Derivatives	12,780,033	12,548,489	10,495,206	839,617
Defaulted Exposures	10,755	10,462	15,990	1,279
Total Off-Balance Sheet Exposures	15,939,597^	15,707,760	12,243,212	979,458
Total On and Off-Balance Sheet Exposures	204,743,099	202,042,477	108,065,582	8,645,249
	Long	Short		
Market Risk	Position	Position		
Interest Rate Risk	98,880,446	96,414,681	3,402,616	272,209
Foreign Currency Risk	274,040	516,003	516,003	41,280
Option Risk	-	-	15,878	1,270
Total	99,154,486	96,930,684	3,934,497	314,759
Operational Risk			7,485,705	598,856
Total RWA and Capital Requirements			119,485,784	9,558,864

Note:

^

The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 413.

for the financial year ended 30 June 2023

### 4. **RISK MANAGEMENT**

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

As part of the risk management framework, the Bank has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management and planning policy to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Bank's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Bank's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies, and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

Operationally, the Bank operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Risk Management ("GRM") function being one of the components of the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GRM undertakes validation to ensure that the business and operating units are in compliance to the Bank's risk appetite thresholds and to the regulatory requirements. Coverage of the GRM function includes Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Risk, Technology Risk, Operational Risk, ICAAP and Stress Testing, Environment, Social and Governance ("ESG") Risk and Islamic Banking Risk.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management framework for the Bank.

The risk management process for each key risk area of the Bank and the various risk exposures are described in the following sections of the Pillar 3 disclosures.

### (A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

The Bank has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

for the financial year ended 30 June 2023

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Bank's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

The Bank's Independent Credit Review function conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Bank's Management as well as where appropriate, a countervailing perspective on credit risk management issues including the overall credit quality.

For any new products/product variation, credit risk assessment also forms part of the new product/product variation signoff process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.

The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

Under the Basel II Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions ("ECAI") ratings and the prescribed risk weights on the above stated asset classes are used in the computation of regulatory capital. An exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by an ECAI. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category.

The ECAI used by the Bank are Fitch Ratings, Moody's Investors Service, Standard & Poor's, Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAI ratings are mapped to a common credit quality grade as prescribed by BNM.

In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios. In addition, the Bank's credit risk assessments are progressively enhanced to consider the effects of climate-related risks, as well as its impact on the ability and willingness of customers to honour their credit obligations.

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

The Group	Malaysia RM'000	Other countries RM′000	Total RM'000
30 June 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	3,738,439	172,348	3,910,787
Financial investments at fair value through other comprehensive			
income*	28,388,139	5,400,881	33,789,020
Financial investments at amortised cost	29,698,005	1,496,060	31,194,065
Loans, advances and financing	165,977,730	13,925,117	179,902,847
Derivative financial instruments	2,017,300	151,124	2,168,424
Total On-Balance Sheet Exposures	229,819,613	21,145,530	250,965,143
Off-Balance Sheet Exposures <sup>^</sup>			
OTC Derivatives	3,915,368	278,413	4,193,781
Credit Derivatives	71,411	-	71,411
Off-Balance Sheet Exposures Other Than OTC Derivatives	,		,
or Credit Derivatives	16,650,908	291,470	16,942,378
Total Off-Balance Sheet Exposures	20,637,687	569,883	21,207,570
Total On and Off-Balance Sheet Exposures	250,457,300	21,715,413	272,172,713
30 June 2022			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	1,065,670	1,876,878	2,942,548
Financial investments at fair value through other comprehensive	, ,	, ,	, ,
income <sup>*</sup>	23,773,424	2,339,493	26,112,917
Financial investments at amortised cost	31,377,076	981,338	32,358,414
Financial investments at amortised cost Loans, advances and financing	31,377,076 154,760,494		32,358,414 166,487,621
		981,338 11,727,127 85,312	
Loans, advances and financing	154,760,494	11,727,127	166,487,621
Loans, advances and financing Derivative financial instruments Total On-Balance Sheet Exposures	154,760,494 1,777,988	11,727,127 85,312	166,487,621 1,863,300
Loans, advances and financing Derivative financial instruments	154,760,494 1,777,988 212,754,652	11,727,127 85,312 17,010,148	166,487,621 1,863,300 229,764,800
Loans, advances and financing Derivative financial instruments Total On-Balance Sheet Exposures Off-Balance Sheet Exposures^	154,760,494 1,777,988 212,754,652 3,178,204	11,727,127 85,312	166,487,621 1,863,300 229,764,800 3,288,070
Loans, advances and financing Derivative financial instruments Total On-Balance Sheet Exposures Off-Balance Sheet Exposures^ OTC Derivatives Credit Derivatives	154,760,494 1,777,988 212,754,652	11,727,127 85,312 17,010,148	166,487,621 1,863,300 229,764,800
Loans, advances and financing Derivative financial instruments Total On-Balance Sheet Exposures Off-Balance Sheet Exposures^ OTC Derivatives	154,760,494 1,777,988 212,754,652 3,178,204	11,727,127 85,312 17,010,148	166,487,621 1,863,300 229,764,800 3,288,070
Loans, advances and financing Derivative financial instruments Total On-Balance Sheet Exposures Off-Balance Sheet Exposures^ OTC Derivatives Credit Derivatives Off-Balance Sheet Exposures Other Than OTC Derivatives	154,760,494 1,777,988 212,754,652 3,178,204 46,916	11,727,127 85,312 17,010,148 109,866	166,487,621 1,863,300 229,764,800 3,288,070 46,916

Note:

<sup>(1)</sup> For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

\* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410 and page 411.

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### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Gross credit exposure (continued)

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows: (continued)

The Bank	Malaysia RM'000	Other countries RM′000	Total RM'000
30 June 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	2,978,291	172,348	3,150,639
Financial investments at fair value through other comprehensive			
income*	24,616,776	5,394,774	30,011,550
Financial investments at amortised cost	20,769,220	1,432,344	22,201,564
Loans, advances and financing	125,685,567	9,407,194	135,092,761
Derivative financial instruments	1,920,546	151,123	2,071,669
Total On-Balance Sheet Exposures	175,970,400	16,557,783	192,528,183
Off-Balance Sheet Exposures <sup>^</sup>			
OTC Derivatives	3,608,851	278,235	3,887,086
Credit Derivatives	71,411	-	71,411
Off-Balance Sheet Exposures Other Than OTC Derivatives	,		,
or Credit Derivatives	13,019,756	93,437	13,113,193
Total Off-Balance Sheet Exposures	16,700,018	371,672	17,071,690
Total On and Off-Balance Sheet Exposures	192,670,418	16,929,455	209,599,873
30 June 2022			
On-Balance Sheet Exposures	657,940	1.876.878	2,534,818
<b>On-Balance Sheet Exposures</b> Financial assets at fair value through profit or loss <sup>*</sup>	657,940	1,876,878	2,534,818
On-Balance Sheet Exposures	,	, ,	
On-Balance Sheet Exposures Financial assets at fair value through profit or loss* Financial investments at fair value through other comprehensive	20,001,154	2,331,981	22,333,135
On-Balance Sheet Exposures Financial assets at fair value through profit or loss* Financial investments at fair value through other comprehensive income*	,	, ,	
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> </ul>	20,001,154 22,225,115 119,112,240	2,331,981 919,430	22,333,135 23,144,545 126,745,536
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> </ul>	20,001,154 22,225,115	2,331,981 919,430 7,633,296	22,333,135 23,144,545
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> <li>Total On-Balance Sheet Exposures</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309	2,331,981 919,430 7,633,296 84,062	22,333,135 23,144,545 126,745,536 1,776,371
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309 163,688,758	2,331,981 919,430 7,633,296 84,062 12,845,647	22,333,135 23,144,545 126,745,536 1,776,371 176,534,405
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> <li>Total On-Balance Sheet Exposures</li> <li>Off-Balance Sheet Exposures^</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309 163,688,758 2,995,832	2,331,981 919,430 7,633,296 84,062	22,333,135 23,144,545 126,745,536 1,776,371 176,534,405 3,101,893
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> <li>Total On-Balance Sheet Exposures</li> <li>Off-Balance Sheet Exposures^</li> <li>OTC Derivatives</li> <li>Credit Derivatives</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309 163,688,758	2,331,981 919,430 7,633,296 84,062 12,845,647	22,333,135 23,144,545 126,745,536 1,776,371 176,534,405
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> <li>Total On-Balance Sheet Exposures</li> <li>Off-Balance Sheet Exposures^</li> <li>OTC Derivatives</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309 163,688,758 2,995,832 46,916	2,331,981 919,430 7,633,296 84,062 12,845,647 106,061	22,333,135 23,144,545 126,745,536 1,776,371 176,534,405 3,101,893 46,916
<ul> <li>On-Balance Sheet Exposures</li> <li>Financial assets at fair value through profit or loss*</li> <li>Financial investments at fair value through other comprehensive income*</li> <li>Financial investments at amortised cost</li> <li>Loans, advances and financing</li> <li>Derivative financial instruments</li> <li>Total On-Balance Sheet Exposures</li> <li>Off-Balance Sheet Exposures^</li> <li>OTC Derivatives</li> <li>Credit Derivatives</li> <li>Other Than OTC Derivatives</li> </ul>	20,001,154 22,225,115 119,112,240 1,692,309 163,688,758 2,995,832	2,331,981 919,430 7,633,296 84,062 12,845,647	22,333,135 23,144,545 126,745,536 1,776,371 176,534,405 3,101,893

Note:

<sup>(1)</sup> For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

\* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412 and page 413.

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### Basel II Pillar 3 Disclosures for the financial year ended 30 June 2023

### **RISK MANAGEMENT (CONTINUED)** 4.

## (A) Credit risk (continued)

## Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income <sup>*</sup> RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM <sup>(</sup> 000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2023										
Agriculture Miciae and augusta	•	41,232	•	2,/8/,4/U 115 FFC		2,828,702 115 FFC		381,482 557 553	381,487	707 CV F
Manufacturing Manufacturing	- 14.136			066,611 15.342,174		0cc,c11 15.356.310		3.564.036	3.564.036	142,607 18.920.346
Electricity, gas and water	70,431	2,289,844	5,024	738,051	•	3,103,350	•	111,619	111,619	3,214,969
Construction	10,098	349,270	158,951	6,358,806		6,877,125		1,607,936	1,607,936	8,485,061
Wholesale and retail	1	33,156	I	16,176,215	1	16,209,371	I	2,727,458	2,727,458	18,936,829
Transport, storage and communications	9,868	181,083		5,706,490	•	5,897,441	,	341,582	341,582	6,239,023
Finance, insurance, real estate and business services	164,994	13,058,003	2,035,363	16,528,907	2,168,424	33,955,691	4,265,192	1,179,350	5,444,542	39,400,233
Government and government agencies	3,641,260	17,836,432	28,994,727			50,472,419		79,686	79,686	50,552,105
Education, health and others				1,538,040		1,538,040		124,984	124,984	1,663,024
Household	•	I	I	114,541,027	1	114,541,027	I	6,796,724	6,796,724	121,337,751
Others	•	•	•	70,111		70,111		465	465	70,576
Total On and Off-Balance Sheet Exposures	3,910,787	33,789,020	31,194,065	179,902,847	2,168,424	250,965,143	4,265,192	16,942,378	21,207,570	272,172,713

Excludes equity securities.

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### Basel II Pillar 3 Disclosures for the financial year ended 30 June 2023

# 4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

## Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Group	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income <sup>*</sup> RM <sup>(</sup> 000	Financial investments at amortised cost RM'000	Loans, advances and financing RM′000	Derivative financial instruments RM <sup>(</sup> 000	Total on-balance sheet credit risk exposures RM'000	01C and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM 000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2022										
Agriculture	24,365	41,252		3,161,634		3,227,251		360,796	360,796	3,588,047
Mining and quarrying		•		126,477		126,477		23,798	23,798	150,275
Manufacturing		•		14,120,195		14,120,195		2,925,571	2,925,571	17,045,766
Electricity, gas and water	15,418	1,826,396	431,237	720,058		2,993,109		95,259	95,259	3,088,368
Construction	10,195	287,553	160,904	4,954,202		5,412,854		1,161,094	1,161,094	6,573,948
Wholesale and retail	I	31,847	1	15,666,440		15,698,287		2,622,529	2,622,529	18,320,816
Transport, storage and communications		118,864		5,271,899		5,390,763		431,186	431,186	5,821,949
Finance, insurance, real estate and business services	172,153	9,044,626	1,122,291	14,112,171	1,863,300	26,314,541	3,334,986	1,103,589	4,438,575	30,753,116
Government and government agencies	2,720,417	14,762,379	30,643,982		,	48,126,778	1	68,545	68,545	48,195,323
Education, health and others			ı	1,714,066	,	1,714,066		202,042	202,042	1,916,108
Household				106,595,675		106,595,675		7,279,506	7,279,506	113,875,181
Others	ı		I	44,804		44,804		15,048	15,048	59,852
Total On and Off-Balance Sheet Exposures	2,942,548	26,112,917	32,358,414	166,487,621	1,863,300	229,764,800	3,334,986	16,288,963	19,623,949	249,388,749
* Evoludos oquito socuritios	ocurition									

Excludes equity securities.

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### Basel II Pillar 3 Disclosures for the financial year ended 30 June 2023

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

## Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income <sup>*</sup> RM'000	Financial investments at amortised cost RM <sup>(</sup> 000	Loans, advances and financing RM <sup>(</sup> 000	Derivative financial instruments RM <sup>(</sup> 000	Total on-balance sheet credit risk exposures RM'000	s OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
<b>30 June 2023</b> Aoriculture		<b>656 1</b> 1		1 345 007		1 386 730		798 955	798 955	1 685 194
Mining and quarrying	1		I	88,340	1	88,340	I	21,474	21,474	109,814
Manufacturing	14,136			11,302,215		11,316,351		2,882,578	2,882,578	14,198,929
Electricity, gas and water	70,431	2,284,638	5,024	357,742	•	2,717,835	•	34,378	34,378	2,752,213
Construction	10,098	349,270	158,951	4,974,419	•	5,492,738	•	911,013	911,013	6,403,751
Wholesale and retail	T	33,156		12,036,274	•	12,069,430	I	2,176,797	2,176,797	14,246,227
Transport, storage and communications	9,868	181,083		5,178,405		5,369,356		272,299	272,299	5,641,655
Finance, insurance, real estate and business services	163,712	12,807,144	1,244,885	12,766,941	2,071,669	29,054,351	3,958,497	814,727	4,773,224	33,827,575
Government and government agencies	2,882,394	14,315,027	20,792,704			37,990,125	·	79,686	79,686	38,069,811
Education, health and others				720,459		720,459		58,932	58,932	779,391
Household	•	•	ı	86,261,100		86,261,100	ı	5,562,354	5,562,354	91,823,454
Others				61,859		61,859				61,859
Total On and Off-Balance Sheet Exposures	3,150,639	30,011,550	22,201,564	135,092,761	2,071,669	192,528,183	3,958,497	13,113,193	17,071,690	209,599,873

Excludes equity securities.

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### Basel II Pillar 3 Disclosures for the financial year ended 30 June 2023

### **RISK MANAGEMENT (CONTINUED)** 4.

## (A) Credit risk (continued)

## Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss * RM'000	Financial investments at fair value through other comprehensive income <sup>*</sup> RM′000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2022										
Agriculture	24,365	41,252	I	1,693,048		1,758,665	1	253,524	253,524	2,012,189
Mining and quarrying	I		I	95,998		95,998	ı	19,038	19,038	115,036
Manufacturing	I		I	10,655,006		10,655,006		2,310,970	2,310,970	12,965,976
Electricity, gas and water	15,418	1,800,892	264,181	296,288		2,376,779		53,609	53,609	2,430,388
Construction	10,195	287,553	160,904	3,911,381	ı	4,370,033		862,380	862,380	5,232,413
Wholesale and retail		31,847	I	12,039,302	1	12,071,149		2,011,495	2,011,495	14,082,644
Transport, storage and communications		118,864		4,761,090	·	4,879,954		351,075	351,075	5,231,029
Finance, insurance, real estate and business services	163.056	8.765.571	873,690	10.801.366	1.776.371	22,380,054	3,148,809	875.919	3.974.778	76.354.787
Government and	7 371 784	11 287 156	21 845 770	1	1	35 454 710	1	58 545	68 545	35 573 755
Education, health and others				891 457		891 457		608 80	608 80	196 090
Household		1	I	81,566,321	ı	81,566,321		5,934,981	5,934,981	87,501,302
Others				34,284		34,284		443	443	34,727
Total On and Off-Balance Sheet Exposures	2,534,818	22,333,135	23,144,545	126,745,536	1,776,371	176,534,405	3,148,809	12,790,788	15,939,597	192,474,002

Excludes equity securities.

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

	Less than 1 year	1 - 5 years	Over 5 years	Total
The Group	RM'000	RM'000	RM′000	RM′000
30 June 2023				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	2,090,705	480,689	1,339,393	3,910,787
Financial investments at fair value through other		·		
comprehensive income*	5,340,047	27,530,664	918,309	33,789,020
Financial investments at amortised cost	1,784,522	28,365,414	1,044,129	31,194,065
Loans, advances and financing	32,551,388	17,566,100	129,785,359	179,902,847
Derivative financial instruments	1,140,489	819,048	208,887	2,168,424
Total On-Balance Sheet Exposures	42,907,151	74,761,915	133,296,077	250,965,143
Off-Balance Sheet Exposures^				
OTC Derivatives	3,334,379	662,959	196,443	4,193,781
Credit Derivatives	10,119	-	61,292	71,411
Off-Balance Sheet Exposures Other Than OTC				
Derivatives or Credit Derivatives	8,460,089	8,482,289	-	16,942,378
Total Off-Balance Sheet Exposures	11,804,587	9,145,248	257,735	21,207,570
Total On and Off-Balance Sheet Exposures	54,711,738	83,907,163	133,553,812	272,172,713
30 June 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	2,319,944	455,783	166,821	2,942,548
Financial investments at fair value through other				
comprehensive income*	2,572,169	18,834,057	4,706,691	26,112,917
Financial investments at amortised cost	5,599,963	21,641,147	5,117,304	32,358,414
Loans, advances and financing	30,258,048	17,826,589	118,402,984	166,487,621
Derivative financial instruments	896,363	673,666	293,271	1,863,300
Total On-Balance Sheet Exposures	41,646,487	59,431,242	128,687,071	229,764,800
Off-Balance Sheet Exposures <sup>^</sup>				
OTC Derivatives	2,459,820	388,512	439,738	3,288,070
Credit Derivatives	-	-	46,916	46,916
Off-Balance Sheet Exposures Other Than OTC			-	-
Derivatives or Credit Derivatives	7,612,127	8,676,836	-	16,288,963
Total Off-Balance Sheet Exposures	10,071,947	9,065,348	486,654	19,623,949
Total On and Off-Balance Sheet Exposures	51,718,434	68,496,590	129,173,725	249,388,749

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 410 and page 411.

for the financial year ended 30 June 2023

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows: (continued)

	Less than	1 - 5	Over 5	
	1 year	years	years	Total
The Bank	RM'000	RM'000	RM′000	RM'000
30 June 2023				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	1,495,673	377,894	1,277,072	3,150,639
Financial investments at fair value through other	-,	,	-,,	_,,
comprehensive income*	5,233,315	23,859,926	918,309	30,011,550
Financial investments at amortised cost	1,436,671	19,720,764	1,044,129	22,201,564
Loans, advances and financing	26,296,023	13,328,281	95,468,457	135,092,761
Derivative financial instruments	1,039,539	825,996	206,134	2,071,669
Total On-Balance Sheet Exposures	35,501,221	58,112,861	98,914,101	192,528,183
Off-Balance Sheet Exposures <sup>^</sup>				
OTC Derivatives	3,111,363	590,896	184,827	3,887,086
Credit Derivatives	10,119	-	61,292	71,411
Off-Balance Sheet Exposures Other Than OTC			,	
Derivatives or Credit Derivatives	6,882,313	6,230,880	-	13,113,193
Total Off-Balance Sheet Exposures	10,003,795	6,821,776	246,119	17,071,690
Total On and Off-Balance Sheet Exposures	45,505,016	64,934,637	99,160,220	209,599,873
30 June 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	1,912,215	455,782	166,821	2,534,818
Financial investments at fair value through other				
comprehensive income*	2,526,533	16,544,469	3,262,133	22,333,135
Financial investments at amortised cost	4,083,106	15,414,614	3,646,825	23,144,545
Loans, advances and financing	24,844,109	13,340,417	88,561,010	126,745,536
Derivative financial instruments	813,570	672,718	290,083	1,776,371
Total On-Balance Sheet Exposures	34,179,533	46,428,000	95,926,872	176,534,405
Off-Balance Sheet Exposures <sup>^</sup>				
OTC Derivatives	2,309,499	384,307	408,087	3,101,893
Credit Derivatives	-	-	46,916	46,916
Off-Balance Sheet Exposures Other Than OTC				
Derivatives or Credit Derivatives	6,381,890	6,408,898	-	12,790,788
Total Off-Balance Sheet Exposures	8,691,389	6,793,205	455,003	15,939,597
Total On and Off-Balance Sheet Exposures	42,870,922	53,221,205	96,381,875	192,474,002

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 412 and page 413.

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

## Loans, advances and financing

The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (i)

				lifetime		Charges/ (write hack)	Write-offs
				expected	Lifetime	lifetime	lifetime
		Credit	12-month	credit losses-	expected	expected credit	expected credit
	Past due loans,	impaired loans,	expected	not credit	credit losses-	losses-credit	losses-credit
	advances and	advances and	credit losses	impaired	credit impaired	impaired	impaired
	financing	financing	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 3)	(Stage 3)
The Group	RM <sup>′</sup> 000	RM′000	RM′000	RM′000	RM'000	RM′000	RM'000
30 June 2023							
Agriculture	5,478	3,518	9,424	1,638	336	383	48
Mining and quarrying	2,344	3,029	601	115	1,187	1,294	58
Manufacturing	78,477	144,477	53,877	13,751	68,638	62,364	23,486
Electricity, gas and water	9,113	1,146	6,292	339	736	194	29
Construction	97,116	90,551	35,099	14,219	47,469	28,054	2,336
Wholesale and retail	173,434	152,397	89,717	27,696	67,695	24,777	9,615
Transport, storage and communications	11,471	8,465	11,936	1,362	3,408	3,029	1,775
Finance, insurance, real estate and business services	113,341	83,591	82,707	19,984	18,312	(2,524)	6,910
Education, health and others	11,476	11,942	6,008	2,091	3,639	1,105	446
Household	5,320,185	542,768	669,950	300,560	199,724	275,638	261,442
Others			654			I	I
	5,822,435	1,041,884	966,265	381,755	411,144	394,314	306,145

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

# Loans, advances and financing (continued)

The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses (write back)/charges and write-offs for Stage 3 during the period as follows: (i)

				Lifetime expected	Lifetime	(Write back)/ charges lifetime	Write-offs lifetime
	Past due loans, advances and	Credit impaired loans, advances and	12-month expected credit losses	credit losses- not credit imnaired	expected credit losses- credit imnaired	expected credit losses-credit imnaired	expected credit losses-credit imnaired
The Group	financing RM'000	financing RM'000	(Stage 1) RM′000	(Stage 2) RM <sup>(</sup> 000	(Stage 3) RM'000	(Stage 3) RM'000	(Stage 3) RM <sup>^</sup> 000
30 June 2022							
Agriculture	3,112	3,394	11,149	1,093	79	(284)	55
Mining and quarrying	754	168	531	1,043	20	182,816	183,951
Manufacturing	47,259	55,892	55,162	37,821	30,648	4,844	50
Electricity, gas and water	1,163	1,171	9,850	1,424	595	(4)	ı
Construction	95,163	60,730	31,013	16,948	23,820	8,408	1,257
Wholesale and retail	80,296	138,539	84,664	35,396	55,544	38,207	1,138
Transport, storage and communications	13,607	5,830	12,007	1,831	2,350	3,055	141
Finance, insurance, real estate and business services	56,610	113,038	73,195	20,396	28,929	9,439	278
Education, health and others	13,038	12,379	5,538	6,631	3,371	1,016	52
Household	4,173,270	428,609	693,592	301,126	190,291	282,356	238,916
Others	70	I	218	167	I	I	I
	4,484,342	819,750	976,919	423,876	335,647	529,808	425,838

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

# Loans, advances and financing (continued)

The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (i)

				Lifetime		Charges/ (write back)	Write-offs
				expected	Lifetime	lifetime	lifetime
		Credit	12-month	credit losses-	expected	expected credit	expected credit
	Past due loans,	impaired loans,	expected	not credit	credit losses-	losses-credit	losses-credit
	advances and	advances and	credit losses	impaired	credit impaired	impaired	impaired
	financing	financing	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 3)	(Stage 3)
The Bank	RM <sup>000</sup>	RM′000	RM'000	RM′000	RM'000	RM′000	RM'000
30 June 2023							
Agriculture	3,969	3,518	5,378	870	336	383	48
Mining and quarrying	914	3,029	453	32	1,187	1,242	9
Manufacturing	47,547	44,194	37,839	10,468	24,992	19,010	23,486
Electricity, gas and water	9,113	ı	2,974	339			•
Construction	72,923	81,924	27,800	11,115	44,402	27,489	2,336
Wholesale and retail	154,358	100,428	58,786	24,091	49,482	17,655	9,467
Transport, storage and communications	10,105	8,177	9,703	1,136	3,387	2,998	1,764
Finance, insurance, real estate and business services	103,452	74,410	54,480	17,726	14,653	(3,728)	6,900
Education, health and others	10,400	9,213	3,166	700	3,024	863	446
Household	3,453,566	351,707	511,536	199,331	118,832	172,441	183,228
Others			31				
	3,866,347	676,600	712,146	265,808	260,295	238,353	227,681

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

# Loans, advances and financing (continued)

The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses (write back)/charges and write-offs for Stage 3 during the period as follows: (i)

		Credit	12-month	Lifetime expected credit losses-	Lifetime expected	(Write back)/ charges lifetime expected credit	Write-offs lifetime expected credit
The Bank	Past due loans, advances and financing RM'000	impaired loans, advances and financing RM'000	expected credit losses (Stage 1) RM'000	not credit impaired (Stage 2) RM <sup>(</sup> 000	credit losses- credit impaired (Stage 3) RM'000	Iosses-credit impaired (Stage 3) RM'000	losses-credit impaired (Stage 3) RM'000
30 June 2022							
Agriculture	3,073	3,394	5,261	784	79	(284)	55
Mining and quarrying	754	168	400	939	20	(72)	I
Manufacturing	23,641	53,258	40,408	22,043	30,064	4,602	50
Electricity, gas and water	1,161	I	3,228	389	I	(82)	I
Construction	71,665	54,361	23,672	11,898	21,049	8,392	1,257
Wholesale and retail	59,556	104,844	55,721	29,538	43,618	28,104	1,138
Transport, storage and communications	11,344	5,828	9,670	1,708	2,348	1,144	141
Finance, insurance, real estate and business services	44,761	104,163	48,190	19,158	26,032	8,745	278
Education, health and others	10,608	11,026	3,541	759	2,931	531	52
Household	2,935,563	310,604	555,590	208,954	133,016	204,118	175,365
Others	70	I	54	33	I		I
	3,162,196	647,646	745,735	296,203	259,157	255,198	178,336

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3) as follows:

				Lifetime	Lifetime
				expected	expected
	Past due	Impaired	12-month	credit losses-	credit
	loans,	loans,	expected	not credit	losses-credit
	advances and	advances and	credit losses	impaired	impaired
	financing	financing	(Stage 1)	(Stage 2)	(Stage 3)
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
30 June 2023					
Malaysia	5,749,913	982,267	948,736	378,040	392,335
Other countries	72,522	59,617	17,529	3,715	18,809
	5,822,435	1,041,884	966,265	381,755	411,144
The Bank					
30 June 2023					
50 june 2025					
Malaysia	3,841,194	675,119	705,598	265,773	259,597
Other countries	25,153	1,481	6,548	35	698
	3,866,347	676,600	712,146	265,808	260,295
The Group					
30 June 2022					
Malaysia	4,395,535	805,638	955,661	419,958	332,877
Other countries	88,807	14,112	21,258	3,918	2,770
	4,484,342	819,750	976,919	423,876	335,647
The Bank					
30 June 2022					
Malaysia	3,135,741	646,805	733,871	295,998	258,792
Other countries	26,455	841	11,864	205	365
	3,162,196	647,646	745,735	296,203	259,157

Note:

<sup>(1)</sup> A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

<sup>(2)</sup> For description of approaches adopted by the Group and the Bank for the determination of expected credit losses impairment, refer to Note 2N to the financial statements.

for the financial year ended 30 June 2023

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows:

	Stage 1	Stage 2	Stage 3	
The Group	12 Months ECL RM'000	Lifetime ECL not credit impaired RM′000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
At 30 June 2023				
At 1 July	976,919	423,876	335,647	1,736,442
Changes in ECL due to transfer within stages	(44,041)	(203,150)	247,191	-
Transfer to Stage 1	35,330	(35,233)	(97)	-
Transfer to Stage 2	(76,350)	145,877	(69,527)	-
Transfer to Stage 3	(3,021)	(313,794)	316,815	-
New financial assets originated	46,534	855	54	47,443
Financial assets derecognised	(15,723)	(30,658)	(25,835)	(72,216)
Changes due to change in credit risk	(5,294)	186,477	172,701	353,884
Modifications to contractual cash flows of financial asset	366	1,078	203	1,647
Changes in models/risk parameters	5,747	2,706	-	8,453
Amount written off	-	-	(306,145)	(306,145)
Exchange difference	1,757	571	(615)	1,713
Other movements	-	-	(12,057)	(12,057)
At 30 June	966,265	381,755	411,144	1,759,164

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

	Stage 1	Stage 2	Stage 3	
The Bank	12 Months ECL RM'000	Lifetime ECL not credit impaired RM′000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
At 30 June 2023				
At 1 July	745,735	296,203	259,157	1,301,095
Changes in ECL due to transfer within stages	(33,871)	(133,368)	167,239	-
Transfer to Stage 1	23,273	(23,177)	(96)	-
Transfer to Stage 2	(55,203)	102,604	(47,401)	-
Transfer to Stage 3	(1,941)	(212,795)	214,736	-
New financial assets originated	32,000	199	2	32,201
Financial assets derecognised	(10,249)	(19,385)	(17,393)	(47,027)
Changes due to change in credit risk	(27,596)	118,445	88,581	179,430
Modifications to contractual cash flows of financial asset	366	1,103	(76)	1,393
Changes in models/risk parameters	4,451	2,572	-	7,023
Amount written off	-	-	(227,681)	(227,681)
Exchange difference	1,310	39	(160)	1,189
Other movements	-	-	(9,374)	(9,374)
At 30 June	712,146	265,808	260,295	1,238,249

for the financial year ended 30 June 2023

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

	Stage 1	Stage 2	Stage 3	
The Group	12 Months ECL RM'000	Lifetime ECL not credit impaired RM′000	Lifetime ECL credit impaired RM′000	Total ECL RM'000
At 30 June 2022				
At 1 July	1,074,984	459,674	234,509	1,769,167
Changes in ECL due to transfer within stages	(57,015)	(237,985)	295,000	-
Transfer to Stage 1	33,219	(33,172)	(47)	-
Transfer to Stage 2	(87,703)	147,995	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,269	230	299	39,798
Financial assets derecognised	(16,026)	(26,665)	(15,760)	(58,451)
Changes due to change in credit risk	(60,303)	235,583	250,653	425,933
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,838)	(425,838)
Exchange difference	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June	976,919	423,876	335,647	1,736,442

### 4. **RISK MANAGEMENT (CONTINUED)**

### (A) Credit risk (continued)

### Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

	Stage 1	Stage 2	Stage 3	
The Bank	12 Months ECL RM'000	Lifetime ECL not credit impaired RM′000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2022				
At 1 July	818,437	326,761	186,098	1,331,296
Changes in ECL due to transfer within stages	(39,809)	(80,113)	119,922	-
Transfer to Stage 1	24,038	(24,007)	(31)	-
Transfer to Stage 2	(62,553)	103,838	(41,285)	-
Transfer to Stage 3	(1,294)	(159,944)	161,238	-
New financial assets originated	24,649	198	3	24,850
Financial assets derecognised	(6,553)	(16,235)	(9,573)	(32,361)
Changes due to change in credit risk	(47,827)	71,620	145,195	168,988
Changes in models/risk parameters	(3,638)	(6,080)	(349)	(10,067)
Amount written off	-	-	(178,336)	(178,336)
Exchange difference	476	52	12	540
Other movements	-	-	(3,815)	(3,815)
At 30 June	745,735	296,203	259,157	1,301,095

# 4. **RISK MANAGEMENT (CONTINUED)**

## (A) Credit risk (continued)

# Credit risk exposures by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

The Group 30 June 2023			EX	Exposures after N	etting and Credit	after Netting and Credit Risk Mitigation					
	Sovereigns/	Public	Banks,	Insurance				Higher		Total Exposures after Netting	Total Risk
Risk Weight	Central Banks RM <sup>^</sup> 000	Sector Entities RM'000	DFIS and MDBs RM <sup>^</sup> 000	Cos, SF and FM RM'000	Corporates RM <sup>^</sup> 000	Regulatory Retail RM'000	Residential Mortgages RM <sup>^</sup> 000	Risk Assets RM'000	Other Assets RM′000	& Credit Risk Mitigation RM'000	Weighted Assets RM′000
0%0	59,926,844			ı				ı	1,566,391	61,493,235	
20%		610,585	7,447,706	190	6,298,000	•		•	1,580,128	15,936,609	3,171,171
35%		•	•	•	•	•	45,378,832	•	•	45,378,832	15,882,591
50%			6,304,502		620,036	27,802	16,154,909			23,107,249	11,524,797
75%		•		•	•	60,375,610	28,500			60,404,110	45,303,083
100%			ı	1,108,190	56,935,840	2,514,731	8,483,936	ı	2,948,431	71,991,128	71,991,128
150%		•	•	•	70,690	124,628		16,680	•	211,998	317,997
Total	59,926,844	610,585	13,752,208	1,108,380	63,924,566	63,042,771	70,046,177	16,680	6,094,950	278,523,161	148,190,767
Risk Weighted Assets by Exposure		112,117	4,596,813	1,108,228	58,611,493	47,997,282	32,465,357	25,020	3,264,457	148,190,767	
Average Risk Weight	%0	20.00%	33.43%	99.99%	91.69%	76.13%	46.35%	150.00%	53.56%	53.21%	
Deduction from Capital Base											

for the financial year ended 30 June 2023

### **RISK MANAGEMENT (CONTINUED)** 4.

## (A) Credit risk (continued)

# Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Group 30 June 2022			Ex	Exposures after Ne	after Netting and Credit Risk Mitigation	Risk Mitigation					
Risk weight	Sovereigns/ Central Banks RM <sup>(000</sup>	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM <sup>(000</sup>	Residential Mortgages RM'000	Higher Risk Assets RM′000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%0	53,049,498								1,370,428	54,419,926	,
20%	·	411,661	8,387,245		3,187,152				991,238	12,977,296	2,590,235
35%	ı		I	,		,	43,276,151			43,276,151	15,146,653
50%	ı		4,492,863		482,378	22,825	16,072,070			21,070,136	10,528,807
75%	ı		I	,		57,946,697	53,736			58,000,433	43,500,325
100%	ı		ı	984,004	50,956,317	2,551,650	8,583,331		5,674,789	68,750,091	68,750,091
150%	ı		I	,	93,825	121,499	ı	92,245		307,569	461,354
Total	53,049,498	411,661	12,880,108	984,004	54,719,672	60,642,671	67,985,288	92,245	8,036,455	258,801,602	140,977,465
Risk Weighted Assets by Exposure		82,332	3,912,395	984,004	51,975,674	46,205,334	31,806,321	138,368	5,873,037	140,977,465	
Average Risk Weight	0%0	20.00%	30.38%	100.00%	94.99%	76.19%	46.78%	150.00%	73.08%	54.47%	
Deduction from Capital Base						ı		·			

for the financial year ended 30 June 2023

### **RISK MANAGEMENT (CONTINUED)** 4.

## (A) Credit risk (continued)

# Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

Instrume         Sector         Banks         Instrume         Regulation         Refer tetting         R	anie balik 30 June 2023			Ē	posures after Ne	etting and Credit	Exposures after Netting and Credit Risk Mitigation					
PUDIIC         Banks, Bank				-					-		Total Exposures	-
Banks         Entities         and MBs         And Asse		Sovereigns/ Central	Sector	Banks, DFIs	Insurance Cos, SF		Regulatory	Residential	Higher Risk	Other	atter Netting & Credit Risk	Total Risk Weighted
45.382,848         6         6         6         6         7         6         7.37,583         6.620,431           6         45.6646         8,084,307         190         5,382,536         7 <td< th=""><th>isk Weight</th><th>Banks RM<sup>(</sup>000</th><th>Entities RM<sup>^</sup>000</th><th>and MDBs RM<sup>*</sup>000</th><th>and FM RM'000</th><th>Corporates RM'000</th><th>Retail RM'000</th><th>Mortgages RM<sup>^</sup>000</th><th>Assets RM'000</th><th>Assets RM'000</th><th>Mitigation RM'000</th><th>Assets RM′000</th></td<>	isk Weight	Banks RM <sup>(</sup> 000	Entities RM <sup>^</sup> 000	and MDBs RM <sup>*</sup> 000	and FM RM'000	Corporates RM'000	Retail RM'000	Mortgages RM <sup>^</sup> 000	Assets RM'000	Assets RM'000	Mitigation RM'000	Assets RM′000
·         ·	0	45,382,848			I					1,237,583	46,620,431	
i         i	%	1	456,646	8,084,307	190	5,382,536	I	I	ı	1,537,124	15,460,803	3,092,161
·         ·	%	1	•	1	1	I	I	36,905,594		•	36,905,594	12,916,958
·         ·	%	1		5,833,129		607,310	18,997	11,742,866	ı		18,202,302	9,101,151
·         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·<         ·         ·	%	1		1		I	44,473,923	24,981	I		44,498,904	33,374,178
i         i	0%0	1		ı	1,005,135	42,791,003	486,743	6,008,880	ı	2,901,175	53,192,936	53,192,934
45,382,848         456,646         13,917,436         1,005,325         48,849,974         45,077,089         54,682,321         16,680         5,675,882         215,064,201           -         91,329         4,533,426         1,005,173         44,274,852         33,997,822         24,816,007         25,020         3,208,600         111,952,229           0%         20.00%         32.57%         99.98%         90.63%         75.42%         45.38%         150.00%         56.53%         52.06%	0%0	•	•		•	69,125	97,426	1	16,680	•	183,231	274,847
- 91,329 4,533,426 1,005,173 44,274,852 33,997,822 24,816,007 25,020 3,208,600 111,9 0% 20.00% 32.57% 99.98% 90.63% 75.42% 45.38% 150.00% 56.53%	tal	45,382,848	456,646	13,917,436	1,005,325	48,849,974	45,077,089	54,682,321	16,680	5,675,882	215,064,201	111,952,229
0% 20.00% 32.57% 99.98% 90.63% 75.42% 45.38% 150.00% 56.53%	sk Weighted Assets by Exposure		91,329	4,533,426	1,005,173	44,274,852	33,997,822	24,816,007	25,020	3,208,600	111,952,229	
	erage Risk Weight	%0	20.00%	32.57%	99.98%	90.63%	75.42%	45.38%	150.00%	56.53%	52.06%	
	duction from Capital Base									ı		

# 4. RISK MANAGEMENT (CONTINUED)

## (A) Credit risk (continued)

# Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank 30 June 2022			Ex	posures after Ne	Exposures after Netting and Credit Risk Mitigation	Risk Mitigation					
Risk Weight	Sovereigns/ Central Banks RM <sup>(</sup> 000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%0	38.982.184								1.124.960	40.107.144	
20%	1	333,909	10,481,908		2,796,496	,		,	940,385	14,552,698	2,910,540
35%		ı		ı	ı	ı	35,599,468	ı	I	35,599,468	12,459,814
50%		ı	4,035,438		480,207	19,724	11,847,620			16,382,989	8,191,495
75%			,			44,105,338	43,931		·	44,149,269	33,111,949
100%			,	977,854	38,624,875	443,030	5,847,119		5,076,282	50,969,160	50,969,160
150%		,	,		87,744	101,767		92,238		281,749	422,624
Total	38,982,184	333,909	14,517,346	977,854	41,989,322	44,669,859	53,338,138	92,238	7,141,627	202,042,477	108,065,582
Risk Weighted Assets by Exposure		66,782	4,114,101	977,854	39,555,892	33,684,546	24,263,691	138,357	5,264,359	108,065,582	
Average Risk Weight	0%0	20.00%	28.34%	100.00%	94.20%	75.41%	45.49%	150.00%	73.71%	53.49%	
Deduction from Capital Base									·	ı	

for the financial year ended 30 June 2023

### 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3		B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
The Group		RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2023						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		25,848	-	-	-	584,737
Insurance Cos, SF and FM		190	-	137,653		970,537
Corporates		6,233,788	603,649	366,425	-	56,720,704
		6,259,826	603,649	504,078	-	58,275,978
30 June 2022						
Exposure Class						
On and Off-Balance						
Sheet Exposures						
Public Sector Entities		-	73,157	-	-	338,504
Insurance Cos, SF						
and FM		-	-	156,504	-	827,500
Corporates		3,084,043	366,596	414,562	-	50,854,471
		3,084,043	439,753	571,066	-	52,020,475

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs (continued)

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3		BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
The Bank		RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2023						
Exposure Class						
On and Off-Balance						
Sheet Exposures						
Public Sector Entities		25,848	-	-	-	430,798
Insurance Cos, SF						
and FM		190	-	137,653	-	867,482
Corporates		5,318,324	601,949	346,425	-	42,583,276
		5,344,362	601,949	484,078	-	43,881,556
30 June 2022						
Exposure Class						
On and Off-Balance						
Sheet Exposures						
Public Sector Entities		-	73,157	-	-	260,752
Insurance Cos, SF						
and FM		-	-	156,504	-	821,350
						20 (1( 00)
Corporates		2,693,387	364,896	314,054	-	38,616,985

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

#### (ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

	S&P Fitch	Aaa to Aa3 AAA to AA- AAA to AA-	A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Caa1 to C CCC+ to D CCC+ to D	Unrated Unrated Unrated
		AAA to AA3 AAA to AA-		BBB1 to BBB3 BBB+ to BBB-	BB1 to B3 BB+ to B-	C1 to D C+ to D	Unrated Unrated
The Group		RM′000	RM'000	RM'000	RM′000	RM'000	RM′000
30 June 2023							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central							
Banks		4,536,414	50,016	134,549	278,799	-	54,927,066
Banks, DFIs and MDBs		3,273,899	5,001,693	2,124,530	43,120	-	3,308,966
		7,810,313	5,051,709	2,259,079	321,919	-	58,236,032
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central							
Banks		516,635	1,582,213	123,614	248,512	-	50,578,524
Banks, DFIs and MDBs		1,951,956	2,106,317	2,187,383	520,991	-	6,113,461
		2,468,591	3,688,530	2,310,997	769,503	-	56,691,985

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

#### (ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (continued)

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-		BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		AAA to AA3		BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-		BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
The Bank		RM'000	RM'000	RM'000	RM'000	RM'000	RM′000
30 June 2023							
Exposure Class							
On and Off-Balance							
Sheet Exposures							
Sovereigns/Central							
Banks		4,536,414	50,016	-	-	-	40,796,418
Banks, DFIs and MDBs		4,601,078	4,927,590	1,900,238	-	-	2,488,530
		9,137,492	4,977,606	1,900,238	-	-	43,284,948
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central							
Banks		516,635	1,582,213	-	-	-	36,883,336
Banks, DFIs and MDBs		5,037,233	2,010,442	1,934,534	-	-	5,535,137
		5,553,868	3,592,655	1,934,534	-	-	42,418,473

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### **Credit risk mitigation**

The Bank grants credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted include cash, marketable securities, properties, machineries, equipments, inventories and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for the amount sought. There are policies and processes in place to monitor collateral concentration. For Credit Risk Management ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Bank uses the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group	Exposures before CRM RM′000	Exposures covered by guarantees/ credit derivatives RM′000	Exposures covered by eligible financial collateral RM′000
30 June 2023 Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	59,748,413	-	-
Public Sector Entities	25,848	-	-
Banks, DFIs and MDBs	11,375,031	-	-
Insurance Cos, SF and FM	643,986	-	28,000
Corporates	58,341,208	-	2,409,406
Regulatory Retail	53,792,198	-	361,507
Residential Mortgages	69,768,087	-	30,249
Higher Risk Assets	16,660	-	-
Other Assets	6,064,948	-	-
Defaulted Exposures	645,007	-	24,795
Total On-Balance Sheet Exposures	260,421,386	-	2,853,957
Off-Balance Sheet Exposures			
OTC Derivatives	4,193,781	-	-
Credit Derivatives	71,411	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit	,		
Derivatives	16,927,260	-	251,838
Defaulted Exposures	15,118	-	-
Total Off-Balance Sheet Exposures	21,207,570	-	251,838
Total On and Off-Balance Sheet Exposures	281,628,956	-	3,105,795

for the financial year ended 30 June 2023

#### 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Group	Exposures before CRM RM′000	Exposures covered by guarantees/ credit derivatives RM′000	Exposures covered by eligible financial collateral RM′000
30 June 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	52,853,792	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	11,007,818	-	-
Insurance Cos, SF and FM	555,839	-	88
Corporates	50,328,255	-	2,390,960
Regulatory Retail	50,995,417	-	392,493
Residential Mortgages	67,829,157	-	36,939
Higher Risk Assets	92,238	-	-
Other Assets	8,006,453	-	-
Defaulted Exposures	507,924	-	1,212
Total On-Balance Sheet Exposures	242,250,050	-	2,821,692
Off-Balance Sheet Exposures			
OTC Derivatives	3,288,070	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit			
Derivatives	16,274,365	-	250,413
Defaulted Exposures	14,598	-	292
Total Off-Balance Sheet Exposures	19,623,949	-	250,705
Total On and Off-Balance Sheet Exposures	261,873,999	-	3,072,397

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM′000
30 June 2023 Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	45,204,417	-	-
Public Sector Entities	25,848	-	-
Banks, DFIs and MDBs	11,673,413	-	-
Insurance Cos, SF and FM	568,272	-	28,000
Corporates	44,567,163	-	1,923,472
Regulatory Retail	37,892,261	-	324,691
Residential Mortgages	54,474,676	-	25,921
Higher Risk Assets	16,660	-	-
Other Assets	5,665,880	-	-
Defaulted Exposures	440,638	-	2,082
Total On-Balance Sheet Exposures	200,529,228	-	2,304,166
Off-Balance Sheet Exposures			
OTC Derivatives	3,887,086	-	-
Credit Derivatives	71,411	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit			
Derivatives	13,103,967	-	232,551
Defaulted Exposures	9,226	-	-
Total Off-Balance Sheet Exposures	17,071,690	-	232,551
Total On and Off-Balance Sheet Exposures	217,600,918	-	2,536,717

for the financial year ended 30 June 2023

#### 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM′000	Exposures covered by eligible financial collateral RM′000
30 June 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	38,786,478	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	12,751,686	-	-
Insurance Cos, SF and FM	555,649	-	88
Corporates	38,625,466	-	2,078,150
Regulatory Retail	37,157,396	-	358,208
Residential Mortgages	53,218,307	-	31,411
Higher Risk Assets	92,238	-	-
Other Assets	7,131,626	-	-
Defaulted Exposures	411,499	-	928
Total On-Balance Sheet Exposures	188,803,502	-	2,468,785
Off-Balance Sheet Exposures			
OTC Derivatives	3,101,893	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,780,033	-	231,544
Defaulted Exposures	10,755	-	293
Total Off-Balance Sheet Exposures	15,939,597		231,837
Total On and Off-Balance Sheet Exposures	204,743,099	-	2,700,622

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to the Bank. To control over-exposure of counterparty credit risk, credit limits are established for each trading counterparty. The credit limits are determined individually based on its credit strength and profile, which also takes into consideration the Bank's risk appetite and trading strategies.

Appropriate methodologies have been implemented to measure counterparty credit risk against credit limits of each trading counterparty. These measurement methodologies implemented are in line with BNM's Capital Adequacy Framework on the treatment of counterparty credit risk.

The Bank also engages in netting and margining agreements with major trading counterparties to mitigate counterparty credit risks. Under these agreements, the counterparty credit exposures are mitigated with collaterals whenever the exposures exceed the margin threshold.

#### Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Bank to support the financial obligations of their customers to third parties.

Non credit related contingent items represent financial products such as Performance Guarantee whose crystallisations are dependent on specific events other than default payment by the customers.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been accepted by the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Bank, where drawdown is certain to occur.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Bank is obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currencies at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets <sup>*</sup> RM′000
30 June 2023				
<b>Commitments and Contingent Liabilities</b> Direct credit substitutes	224,515	-	224,515	217,515
Transaction related contingent items	2,594,402	-	1,297,201	1,262,523
Short term self liquidating trade related contingencies	1,063,924	-	212,785	210,780
Irrevocable commitments to extend credit: - More than one year - Less than one year	17,073,556 26,457,159	-	8,535,976 5,291,432	6,672,055 4,818,762
Unutilised credit card lines	6,902,344	-	1,380,469	1,037,197
	54,315,900	-	16,942,378	14,218,832
<b>Derivative Financial Contracts</b> Foreign exchange related contracts:				
- Less than one year	63,906,468	1,060,098	3,240,963	1,330,633
- One year to five years	7,321,941	160,566	212,330	212,330
- Over five years	737,005	36,840	47,174	47,175
Interest/profit rate related contracts:				
- Less than one year	45,361,203	65,822	1,904	1,610
- One year to five years	81,071,444	601,438	360,954	345,652
- Over five years	4,399,525	85,919	149,269	143,484
Equity related contracts:				
- Less than one year	487,429	6,950	34,963	20,191
- One year to five years	668,393	57,044	89,674	45,323
Credit related contracts:				
- Less than one year	121,391	6,477	10,119	5,059
- Over five years	1,225,853	86,128	61,292	12,258
Commodity related contracts - Less than one year	554,082	1,142	56,550	34,439
	205,854,734	2,168,424	4,265,192	2,198,154
	260,170,634	2,168,424	21,207,570	16,416,986

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM′000	Risk Weighted Assets <sup>*</sup> RM′000
30 June 2022				
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	137,103	-	137,103	134,866
Transaction related contingent items	2,024,547	-	1,012,274	968,976
Short term self liquidating trade related contingencies	853,412	-	170,682	168,415
Irrevocable commitments to extend credit:				
- More than one year	17,538,803	-	8,768,099	6,836,899
- Less than one year	23,913,907	-	4,782,781	4,249,310
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	51,557,893	-	16,288,963	13,423,038
Derivative Financial Contracts Foreign exchange related contracts: - Less than one year - One year to five years - Over five years	55,995,785 5,944,644 396,495	847,790 126,821 21,252	2,392,914 134,013 -	1,040,612 133,310 -
Interest/profit rate related contracts:	24 (02 744	44.004	2 120	()(
<ul><li>Less than one year</li><li>One year to five years</li></ul>	34,692,744 52,644,892	44,604 535,537	3,130 173,984	626 164,499
- Over five years	4,395,228	138,990	321,999	312,959
Equity related contracts: - Less than one year - One year to five years - Over five years	245,878 102,699 270,542	2,212 11,904 90,686	16,769 20,121 117,740	8,696 10,060 58,869
Credit related contracts:				
- Over five years	938,327	39,156	46,916	9,384
Commodity related contracts - Less than one year - One year to five years	438,428 493,416	1,757 2,591	45,600 61,800	28,063 38,116
	156,559,078	1,863,300	3,334,986	1,805,194
	208,116,971	1,863,300	19,623,949	15,228,232

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets <sup>*</sup> RM′000
30 June 2023				
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	217,046	-	217,046	210,046
Transaction related contingent items	1,819,394	-	909,697	879,749
Short term self liquidating trade related contingencies	849,981	-	169,996	168,214
Irrevocable commitments to extend credit:				
- More than one year	12,463,084	-	6,230,880	4,827,441
- Less than one year	21,025,525	-	4,205,105	3,831,842
Unutilised credit card lines	6,902,344	-	1,380,469	1,037,198
	43,277,374	-	13,113,193	10,954,490
<b>Derivative Financial Contracts</b> Foreign exchange related contracts:				
- Less than one year	60,747,086	959,148	3,021,126	1,273,381
- One year to five years	7,321,941	160,566	212,328	212,330
- Over five years	737,005	36,840	47,174	47,175
Interest/profit rate related contracts:				
- Less than one year	45,361,203	65,822	1,904	1,610
- One year to five years	81,492,156	608,386	302,405	296,506
- Over five years	4,291,746	83,166	137,653	137,653
Equity related contracts:				
- Less than one year	487,429	6,950	31,786	18,602
- One year to five years	668,393	57,044	76,160	38,566
Credit related contracts:				
- Less than one year	121,391	6,477	10,119	5,059
- Over five years	1,225,853	86,128	61,292	12,258
Commodity related contracts - Less than one year	554,082	1,142	56,550	34,439
	203,008,285	2,071,669	3,958,497	2,077,579
	246,285,659	2,071,669	17,071,690	13,032,069

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (A) Credit risk (continued)

#### Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM′000	Credit Equivalent Amount* RM′000	Risk Weighted Assets <sup>*</sup> RM′000
30 June 2022				
Commitments and Contingent Liabilities				
Direct credit substitutes	129,077	-	129,077	126,839
Transaction related contingent items	1,444,276	-	722,138	682,487
Short term self liquidating trade related contingencies	803,334	-	160,667	158,703
Irrevocable commitments to extend credit:				
- More than one year	12,942,713	-	6,470,698	5,023,094
- Less than one year	19,450,920	-	3,890,184	3,455,501
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	41,860,441	-	12,790,788	10,511,196
Derivative Financial Contracts Foreign exchange related contracts: - Less than one year - One year to five years - Over five years	51,999,925 5,987,312 396,495	764,997 125,628 21,253	2,244,001 132,604 -	992,074 132,606 -
Interest/profit rate related contracts:				
- Less than one year	34,692,744	44,604	3,130	626
- One year to five years	52,835,368	532,595	169,780	163,173
- Over five years	4,208,323	138,988	290,348	290,348
Equity related contracts:				
- Less than one year	245,878	2,212	16,769	8,696
- One year to five years	102,699	11,904	20,121	10,060
- Over five years	270,542	90,686	117,740	58,870
Credit related contracts:				
- Over five years	938,327	39,156	46,916	9,384
Commodity related contracts				
- Less than one year	438,428	1,757	45,600	28,063
- One year to five years	493,416	2,591	61,800	38,116
	152,609,457	1,776,371	3,148,809	1,732,016
	194,469,898	1,776,371	15,939,597	12,243,212

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits for the Bank.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Assets and Liabilities Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the Bank's trading book is as follows:

Financial Year Ending 30 June 2023	VaR (RM mil)
Minimum	(5.4)
Maximum	(13.3)
Average	(8.3)

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the Group ALCO.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

- (1) Scenario analysis, which is a combination of expected movements on risk factors.
- (2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, interest rates movements (for MYR, USD and other major currencies), ratings migration and Foreign Exchange spot and volatilities.

In managing interest rate risk in the banking book, the Bank measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (C) Market Conduct Risk

Market Conduct risk is the risk that arises from either an individual or group of individual dealers of the Bank, who through non-compliant behaviour and/or behaviour that lack integrity or honesty, subjects the Bank to adverse consequences in terms of monetary losses, reputational damage and regulatory fines.

Independent market conduct risk monitoring and surveillance is carried out to detect attempts on market misconduct by Global Markets. Management oversight on market conduct is effected through the Risk and Compliance Governance Committee ("RCGC"). A robust and comprehensive market conduct surveillance policy has been established by the Bank to ensure all activities in Global Markets are in conformity with market best practices and compliance requirements, which is reviewed and concurred by the RCGC, endorsed by the BRMC and approved by the Board.

#### (D) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet financial obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirements, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.

The Bank has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there are adequate liquidity contingency fund to meet any shortfalls during liquidity crisis scenarios.

#### (E) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.

Management oversight on Operational Risk Management ("ORM") matters are effected through the RCGC whilst Board oversight is effected through the BRMC.

The Bank's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.

The Bank adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls. The ultimate aim is to enhance economic performance, achievement of corporate goals and the aspirations of stakeholders.

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (E) Operational risk (continued)

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

- (i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.
- (ii) Key Risk Indicators ("KRI") is a set of measures to allow the Bank to monitor and facilitate early detection of operational risks.
- (iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

The operational risk mitigation strategies that are implemented include:

- (i) Policies and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.
- (ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.
- (iii) System of controls, established to provide reasonable assurance of effective and efficient operation.
- (iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.
- (v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsource service providers and continuous tracking of existing outsource service providers' performance, code of conduct, compliance, and business viability.

#### (F) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

(i) Financial instruments designated as fair value through profit and loss

The Bank uses derivative hedge instruments, such as interest rate swaps to undertake economic hedges on part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

(ii) Fair value hedges

The Bank uses interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

for the financial year ended 30 June 2023

#### 4. **RISK MANAGEMENT (CONTINUED)**

#### (F) Financial hedges to mitigate interest rate risks (continued)

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank. (continued)

(iii) Cash flow hedges

The Bank uses interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 10(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

#### 5. EQUITY EXPOSURES IN BANKING BOOK

The Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socioeconomic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/ financing conversion.

The Bank's banking book's equity investments are classified and measured in accordance with MFRS 9 and are categorised as financial investments at fair value through other comprehensive income. Refer to Note 2D to the financial statements for the accounting policies of the Bank.

Details of the Bank's financial investments at fair value through other comprehensive income are set out in Note 6 to the financial statements.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

	The Gro	The Group		nk
	Exposures subject to risk- weighting RM'000	Risk weights %	Exposures subject to risk- weighting RM′000	Risk weights %
30 June 2023				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	97,650	150%	97,650	150%
30 June 2022				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	83,386	150%	83,386	150%

There are no unrealised gains/(losses) for equity securities that have not been reflected in the statements of income of the Group and the Bank but have been recognised under other comprehensive income of the Group and the Bank for the financial year ended 30 June 2023.

for the financial year ended 30 June 2023

#### 6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Bank evaluates the impact of IRRBB/RORRBB via the earnings and the underlying economic value perspectives.

The earnings perspective focuses on the short-term effect of IRRBB/RORRBB via reduction in earnings arising from changes in interest rate/rate of returns. Components affecting the earnings perspective include the timing of repricing, yield curve risk and option positions.

The economic value perspective focuses on the long-term impact of IRRBB/RORRBB. This perspective evaluates changes in the Bank's economic value by present valuing the Bank's future cash flows. The future cash flow projections are used to estimate economic exposures and provides a pro forma estimate of the future income generated by the Bank's current position. In general, measuring the present value of instruments will be able to provide an overview of the Bank's economic value of equity ("EVE") over a longer time period.

	Impact on positions 100 basis points parallel shift				
	Increase/(Decline)	Increase/(Decline)			
	in Earnings	in Economic Value			
The Group	RM′000	RM′000			
30 June 2023					
100 bps upward					
Ringgit Malaysia	(59,634)	(153,979)			
100 bps downward					
Ringgit Malaysia	(109,525)	136,614			
30 June 2022					
100 bps upward					
Ringgit Malaysia	3,851	137,938			
100 bps downward					
Ringgit Malaysia	(225,326)	(141,638)			

for the financial year ended 30 June 2023

#### 6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB") (CONTINUED)

	Impact on positions 100 basi	Impact on positions 100 basis points parallel shift				
The Bank	Increase/(Decline) in Earnings RM'000	Increase/(Decline) in Economic Value RM'000				
30 June 2023						
100 bps upward						
Ringgit Malaysia	(16,343)	123,966				
100 bps downward						
Ringgit Malaysia	(120,239)	(150,476)				
30 June 2022						
100 bps upward						
Ringgit Malaysia	39,645	342,908				
100 bps downward						
Ringgit Malaysia	(221,978)	(358,505)				

#### 7. SHARIAH GOVERNANCE DISCLOSURE

On 20 September 2019, Bank Negara Malaysia has issued the policy document on Shariah Governance ("SGPD") for Islamic financial institutions to supersede the Shariah Governance Framework. The policy document aims to further strengthen the effectiveness of Shariah governance implementation and reinforce a closer integration of Shariah considerations in the business and risk strategies of the Islamic financial institutions. This policy document takes effect from 1 April 2020, with the exception of Section 12.5 (which specifies that a member of the Shariah Committee shall not serve the same Islamic Financial Institution for more than nine years), which takes effect from 1 April 2023.

HLISB has enhanced its own Board Policy on Shariah Governance to ensure the structure and management of Shariah Governance matters in the Bank is of the highest standard and in line with SGPD and Islamic Financial Services Act 2013.

The Board Policy on Shariah Governance governs and guides HLISB on the on-going development and enhancement of its Shariah governance functions and infrastructure which includes interaction, effective communication and reporting. It forms the basic foundation upon which Shariah governance policies are to be developed, Shariah governance structure is to be operated in, and Shariah governance initiatives are to be carried out.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eighty-Second Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 30 October 2023 at 2.30 p.m. in order:

- 1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2023.
- 2. To approve the payment of Director Fees of RM1,568,614 for the financial year ended 30 June 2023 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM250,000 from the 82<sup>nd</sup> AGM to the 83<sup>rd</sup> AGM of the Bank. (Resolution 1) 3. To re-elect the following Directors pursuant to the Bank's Constitution: (Resolution 2) YBhg Tan Sri Quek Leng Chan (a) (b) YBhg Datuk Manharlal A/L Ratilal (Resolution 3) To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix 4. (Resolution 4) their remuneration.

#### **SPECIAL BUSINESS**

As special business, to consider and, if thought fit, pass the following motions as resolutions:

#### 5. Ordinary Resolution

- Authority to Directors to Allot Shares
- Waiver of Pre-Emptive Rights over New Ordinary Shares ("Shares") or Other Convertible Securities in the Bank under Section 85(1) of the Companies Act 2016 ("Act") read together with Clause 50 of the Constitution of the Bank

**"THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], the Bank's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new Shares in the Bank, grant rights to subscribe for Shares in the Bank, convert any security into Shares in the Bank, or allot Shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, to any persons who are not caught by Paragraph 6.04(c) of the MMLR, provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares (excluding treasury shares) of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional Shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank;

**AND THAT** in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of the Bank, the shareholders of the Bank do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Bank and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in the Bank."

(Resolution 5)

### Notice of Annual General Meeting

#### 6. Ordinary Resolution

#### Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") and Persons Connected with them

"**THAT** approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3 (A) and (B) of the Bank's Circular to Shareholders dated 29 September 2023 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

**AND THAT** the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 6)

7. To consider any other business of which due notice shall have been given.

By Order of the Board

#### **JACK LEE TIONG JIE**

(MAICSA 7060133) (SSM PC No. 202008001704) Group Company Secretary

Kuala Lumpur 29 September 2023

#### NOTES:

- 1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2023 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Bank. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

## Notice of Annual General Meeting

- 3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
- 4. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- 5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

#### **EXPLANATORY NOTES**

#### 1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM1,568,614 are inclusive of Board Committee Fees of RM500,889 and Meeting Allowances of RM180,000.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM250,000.

#### 2. Resolutions 2 and 3 on Re-election of Directors

The Board, on the recommendation of the Nomination Committee of the Bank ("NC"), supports the re-election of the retiring Directors. The NC has reviewed the results of the Board Annual Assessment conducted for the financial year ended 30 June 2023 and noted that YBhg Tan Sri Quek Leng Chan has effectively discharged his duties and responsibilities. The NC has also conducted assessment on the fitness and propriety of YBhg Tan Sri Quek Leng Chan and YBhg Datuk Manharlal A/L Ratilal including the review of their Fit and Proper Declaration and result of their background checks, and was satisfied that they met the Fit and Proper criteria as set out in the Fit and Proper Policy of the Bank. In addition, the NC has assessed the declaration made by YBhg Datuk Manharlal A/L Ratilal confirming that he fulfilled the Independent Director criteria as set out in the relevant regulatory requirements, and found it to be in order.

The retiring Directors had abstained from deliberations and decisions on their re-election at the NC and Board meetings, as applicable.

The details and profiles of the retiring Directors are set out in the Board of Directors' Profile section of the Bank's 2023 Annual Report.

#### 3. Resolution 5 on Authority to Directors to Allot Shares and Waiver of Pre-emptive Rights

The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Bank to allot ordinary shares ("Shares") of the Bank from time to time and expand the mandate to grant rights to subscribe for Shares in the Bank, convert any security into Shares in the Bank, or allot Shares under an agreement or option or offer, provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares (excluding treasury shares) of the Bank for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, Shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Bank.

As at the date of this Notice, no new Shares in the Bank were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 27 October 2022 and which will lapse at the conclusion of the 82<sup>nd</sup> AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise or for compliance with regulatory requirements which involve the issuance and allotment of new Shares, grant of rights to subscribe for Shares, conversion of any security into Shares, or allotment of Shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

Pursuant to Section 85(1) of the Companies Act 2016 ("Act") read together with Clause 50 of the Constitution of the Bank, shareholders have pre-emptive rights to be offered any new Shares in the Bank which rank equally to the existing issued Shares or other convertible securities.

### Notice of Annual General Meeting

Section 85(1) of the Act provides as follows:

- "85. Pre-emptive rights to new shares
  - (1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 50 of the Constitution of the Bank provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled...

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution, if passed, will exclude your pre-emptive right over all new Shares, options over or grant of new Shares or any other convertible securities in the Bank and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority to Directors to Allot Shares.

#### 4. Resolution 6 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution, if passed, will empower the Bank and its subsidiaries ("HLB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the Hong Leong Group than those generally available to the public and are not, in the Bank's opinion, detrimental to the minority shareholders of the Bank ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 29 September 2023 which is available on the Bank's corporate website (<u>https://www.hlb.com.my/agm2023</u>).

## Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

#### • Details of individuals who are standing for election as Director

No individual is seeking election as a Director at the forthcoming Eighty-Second Annual General Meeting of the Bank.

#### Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate to issue securities in the Bank pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of Eighty-Second Annual General Meeting.

#### 1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

#### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023

Total number of issued shares: 2,167,718,284Adjusted total number of issued shares: 2,086,616,584(after deducting treasury shares pursuant to<br/>Section 127 of the Companies Act 2016): Ordinary sharesClass of shares: Ordinary sharesVoting rights: 1 vote for each share held

#### Distribution Schedule of Shareholders as at 30 August 2023

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	424	3.56	9,311	0.00
100 - 1,000	3,571	29.98	1,999,810	0.09
1,001 - 10,000	6,236	52.35	21,224,132	1.02
10,001 - 100,000	1,248	10.48	37,649,339	1.80
100,001 – less than 5% of issued shares	431	3.62	478,007,040	22.91
5% and above of issued shares	2	0.01	1,547,726,952	74.18
	11,912	100.00	2,086,616,584	100.00

\* Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares

#### List of Thirty Largest Shareholders as at 30 August 2023

Na	me of Shareholders	No. of Shares	%
1.	Hong Leong Financial Group Berhad	1,340,137,681	64.23
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	207,589,271	9.95
3.	MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	37,470,641	1.80
4.	Kumpulan Wang Persaraan (Diperbadankan)	27,477,129	1.32
5.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	20,000,000	0.96
6.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	19,473,000	0.93
7.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt 0D67)	17,766,188	0.85
8.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,254,300	0.68
9.	Permodalan Nasional Berhad	14,177,400	0.68
10.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	9,632,300	0.46

#### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (CONTINUED)

### List of Thirty Largest Shareholders as at 30 August 2023 (continued)

Nai	ne of Shareholders	No. of Shares	%
11.	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,548,200	0.46
12.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	9,319,524	0.45
13.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,939,472	0.43
14.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	8,466,882	0.41
15.	Pertubuhan Keselamatan Sosial	8,299,300	0.40
16.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	8,012,580	0.38
17.	HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
18.	Pertubuhan Keselamatan Sosial	6,300,000	0.30
19.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 19)	5,630,000	0.27
20.	HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
21.	Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Government of Singapore (GIC C)	5,209,322	0.25
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AHAM AM)	4,805,500	0.23
23.	Cartaban Nominees (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	4,670,196	0.22
24.	Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	4,349,200	0.21
25.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	4,239,120	0.20
26.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	4,022,400	0.19
27.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,652,000	0.18
28.	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,593,540	0.17
29.	Cartaban Nominees (Asing) Sdn Bhd - BBH (LUX) SCA for Fidelity Funds Asean	3,533,900	0.17
30.	Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	2,999,000	0.14
		1,825,563,909	87.49

#### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (CONTINUED)

#### **Substantial Shareholders**

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2023 are as follows:

	Direct	Indirect		
Name of Shareholders	No. of Shares	%	No. of Shares	%
Hong Leong Financial Group Berhad	1,340,137,681	64.23	3,057,504	0.15 <sup>(a)</sup>
Hong Leong Company (Malaysia) Berhad	-	-	1,343,195,185	64.37 <sup>(b)</sup>
HL Holdings Sdn Bhd	-	-	1,343,195,185	64.37 <sup>(c)</sup>
Tan Sri Quek Leng Chan	-	-	1,346,027,209	64.51 <sup>(d)</sup>
Hong Realty (Private) Limited	-	-	1,345,971,529	64.50 <sup>(d)</sup>
Hong Leong Investment Holdings Pte Ltd	-	-	1,345,971,529	64.50 <sup>(d)</sup>
Kwek Holdings Pte Ltd	-	-	1,345,971,529	64.50 <sup>(d)</sup>
Kwek Leng Beng	-	-	1,345,971,529	64.50 <sup>(d)</sup>
Davos Investment Holdings Private Limited	-	-	1,345,971,529	64.50 <sup>(d)</sup>
Kwek Leng Kee	282,344	0.01	1,345,971,529	64.50 <sup>(d)</sup>
GuoLine Overseas Limited	-	-	1,343,195,185	64.37 <sup>(b)</sup>
Guoco Group Limited	-	-	1,343,195,185	64.37 <sup>(b)</sup>
GuoLine Capital Assets Limited	-	-	1,345,971,529	64.50 <sup>(e)</sup>
Employees Provident Fund Board	219, 659,021	10.53	-	-

Notes:

- <sup>(a)</sup> Held through subsidiary
- <sup>(b)</sup> Held through Hong Leong Financial Group Berhad ("HLFG")
- (<sup>c)</sup> Held through Hong Leong Company (Malaysia) Berhad ("HLCM")
- <sup>(d)</sup> Held through HLCM and company(ies) in which the substantial shareholder has interests
- (e) Held through a subsidiary and HLFG

#### 3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2023

Subsequent to the financial year end, there is no change, as at 30 August 2023, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 163 and 164 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	No. of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hong Leong Industries Berhad	242,876,970	76.02%
	82,000*	0.03%

Note:

<sup>\*</sup> No. of ordinary shares/ordinary shares to be received arising from vesting of share grant

#### HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2023

			Description of property	Gross Area	Age	Net book value	Date of
	Location	Тепиге	held	(Sq-ft)	(Years)	(RM′000)	Acquisition
1	No. 1, Light Street, Georgetown, 10200 Pulau Pinang	Freehold	Branch premises	20,594	89	7,403	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1, Medan Kampung Relau, Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	24	1,962	26/06/1997
3	No. 42, Jalan Pending, 93450 Kuching, Sarawak	Leasehold - (31/12/2779) - 757/859 years	Branch premises	4,425	41	1,177	27/12/1983
4	No. 133, 135 & 137, Jalan Kampong Nyabor, 96000 Sibu, Sarawak	Freehold	Branch premises	4,871	31	2,745	28/12/1992
5	Jungle land at Sungai Limut Rajang, Sarawak Occupation Ticket 612 of 1931	Leasehold - (31/12/2026) - 4/99 years	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail, 25000 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	1,600	32	1,028	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,350	27/12/1994
8	No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Freehold	Branch premises	3,750	37	469	30/12/1986
9	No. 120-122, Jalan Mersing, 86000 Kluang, Johor Darul Takzim	Leasehold	Branch premises	3,355	57	462	31/05/1990
10	No. 100, Jalan Gurney, 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	37	1,890	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Branch premises	4,174	32	3,328	25/06/1992
12	No. 63 & 65, Jalan SS 23/15, 47400 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	4,760	28	3,024	28/04/1997
13	No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan	Freehold	Branch premises	3,037	27	895	28/04/1997

			Doceripties			Nothesk	
	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
14	No. 1, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan	Leasehold - (29/6/2086) - 64/99 years	Branch premises	2,625	36	1,022	26/06/1997
15	Lots 3594 & 3595, Jalan Baru Pak Sabah, 23000 Dungun, Terengganu Darul Iman	Leasehold - (8/4/2082) - 60/84 years	Branch premises	3,199	29	172	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - (12/2/2056) - 34/60 years	Branch premises	2,582	26	830	26/06/1997
17	Lot 34, Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Warehouse	96,219	27	2,506	26/01/1995
18	No. 1540, Jalan Sultan Badlishah, 05000 Alor Setar, Kedah Darul Aman	Leasehold - (19/7/2030) - 8/60 years	Vacant	10,619	48	12	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru, 08000 Sungai Petani, Kedah Darul Aman	Freehold	Branch premises	9,320	30	688	01/01/1994
20	No. 45, Jalan Burma, 10500 Pulau Pinang	Freehold	Vacant	14,277	45	1,658	24/11/1978
21	No. 55-57, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan	Freehold	Vacant	11,720	44	862	01/10/1984
22	No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan	Leasehold - (26/2/2078) - 56/79 years	Branch premises	4,694	28	216	24/11/1995
23	No. 75, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	26	567	15/06/1998
24	No. 80 & 82, Jalan Othman 1/14, 46000 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (15/6/2089) - 67/90 years	Branch premises	9,062	33	749	01/06/1994
25	No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Selangor Darul Ehsan	Leasehold - (8/3/2081) - 59/99 years	Branch premises	5,859	41	296	29/11/1985
26	Lot 111, Jalan Mega Mendung, Kompleks Bandar, Off Jalan Klang Lama, 58200 Kuala Lumpur	Leasehold - (11/10/2076) - 54/99 years	Vacant	4,978	43	347	31/07/1988
27	No. 161, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	2,454	27	2,660	14/02/1996

			Description			Net book	
	Location	Tenure	of property held	Gross Area (Sq-ft)	Age (Years)	value (RM'000)	Date of Acquisition
28	No. 8A-D, Jalan Station, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Vacant	12,854	30	284	22/10/1977
29	No. 109, Main Road, 83700 Yong Peng, Johor Darul Takzim	Freehold	Branch premises	2,740	35	197	01/09/1988
30	No. 1, Bentong Heights, 28700 Bentong, Pahang Darul Makmur	Freehold	Branch premises	5,432	55	27	30/06/1977
31	No. 36, Main Road Tanah Rata, 39000 Cameron Highland, Pahang Darul Makmur	Leasehold - (24/11/2039) - 17/99 years	Branch premises	1,728	83	66	30/08/1982
32	W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan	Freehold	Branch premises	4,545	24	1,008	18/12/1999
33	No. 2828-G-02 & 2828-1-02, Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	Freehold	Vacant	12,173	24	1,917	18/12/1999
34	Plot No. 20, Jalan Bidor Raya, 35500 Bidor, Perak Darul Ridzuan	Freehold	Branch premises	3,243	24	433	23/11/1999
35	No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan	Leasehold - (21/11/2094) - 72/99 years	Branch premises	7,870	23	1,286	23/11/1999
36	Lots 39 & 40, Kompleks Munshi Abdullah, 75100 Melaka	Leasehold - (24/2/2084) - 62/99 years	Branch premises	5,988	24	997	31/05/1991
37	No. 1 & 2 Jalan Raya, 09800 Serdang, Kedah Darul Aman	Freehold	Branch premises	5,840	22	332	20/09/2000
38	No. 133 & 135, Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan	Freehold	Branch premises	4,700	22	307	13/12/2000
39	No. 65-67, Jalan Tun HS Lee, 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	27	4,617	14/10/1996
40	No. 64, Jalan Tun Mustapha, 87007 Labuan	Leasehold - (28/12/2881) - 859/999 years	Branch premises	1,370	32	353	30/05/1991
41	No. 159, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	18	2,511	25/11/2005
42	No. 163, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	18	2,588	25/10/2005

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	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
43	No. 114 & 116, Jalan Cerdas, Taman Connaught, 56000 Kuala Lumpur	Leasehold - (16/10/2078) - 56/99 years	Branch premises	12,200	17	3,235	07/06/2006
44	Lot A08-A09, Jalan SS 6/5A Dataran Glomac, Pusat Bandar Kelana Jaya, 47301 Petaling Jaya	Freehold	Branch premises	9,800	17	2,463	06/07/2006
45	No. 2, Jalan Puteri 2/4, Bandar Puteri, Puchong, 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	16	4,854	28/06/2007
46	Tower A, PJ City Development, 46100 Petaling Jaya, Selangor	Leasehold - (14/08/2094) - 72/99 years	Branch premises	194,489	15	66,671	21/07/2008
47	OUG, No. 2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - (year 2088) - 66/99 years	Branch premises	17,300	13	4,304	01/04/2011
48	KEP, Lot No. 77C & 77D, Lot No. 58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - (7/01/2101) - 79/99 years	Branch premises	30,613	13	7,636	01/05/2011
49	No. 122, Kapit By-Pass, 96807 Kapit, Sarawak	Leasehold - (29/4/2045) - 23/60 years	Branch premises	1,200	30	162	30/04/1985
50	No. 12A, Block B, Level 2, Fraser's Hill, Condominium, 49000 Bukit Fraser's, Pahang Darul Makmur	Leasehold - (23/05/2082) - 60/99 years	1 unit apartment (Vacant)	1,792	36	82	24/05/1983
51	No. 9, Jalan Cheng Lock, 50000 Kuala Lumpur, Wilayah Persekutuan	Freehold	Vacant	2,199	50	247	18/09/1972
52	No. 3, Jalan Bandar Satu, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch premises	4,687	28	1,582	03/04/1997
53	No. 32 & 34, Jalan 21/19, Sea Park, 46300 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	3,080	60	2,062	19/08/1997
54	No. 26 & 27, Jalan Kenari 1, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch premises	3,600	27	1,264	22/01/1999
55	No. 2, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (23/11/2100) - 78/99 years	Branch premises	12,892	19	3,076	12/02/2005

		<b>T</b>	Description of property	Gross Area	Age	Net book value	Date of
56	Location No. J09-6 and J02-06, Paradise Lagoon Holiday, Apartment, Batu 3 1/2 Jalan Pantai, 70100 Port Dickson, Negeri Sembilan Darul Khusus	<b>Tenure</b> Leasehold - (7/6/2087) - 65/99 years	held 2 units apartment	<b>(Sq-ft)</b> 2,088	<b>(Years)</b> 27	<b>(RM'000)</b> 153	<b>Acquisition</b> 21/04/1994
57	No. S-3, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus	Leasehold - (30/01/2078) - 56/99 years	Vacant	1,680	39	206	29/06/1981
58	No. 105 & 107, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka	Leasehold - (20/3/2094) - 72/99 years	Vacant	3,132	27	411	17/04/1998
59	No. 67 & 69, Jalan Merdeka, 75000 Taman Merdeka Raya, Melaka	Leasehold - (7/7/2093) - 71/99 years	Branch premises	3,080	28	579	15/08/1999
60	No. 35, 37 & 39, Jalan Johor Satu, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim	Freehold	Branch premises	13,965	20	1,763	12/02/2003
61	No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim	Freehold	Branch premises	2,624	26	862	05/04/1999
62	No. B-278 & B-280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	3,208	22	1,250	04/08/1999
63	No. 31, 33, 35 & 37, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Seberang Perai Tengah, Penang	Freehold	Branch premises	15,844	20	1,076	10/07/2003
64	Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak	Leasehold - (20/06/2050) - 28/60 years	Branch premises	1,740	27	108	21/06/1990
65	Lot No. 2013, Jalan Pisang Barat, 93150 Kuching, Sarawak	Leasehold - (31/12/2038) - 16/99 years	Storage	1,390	30	-	23/09/1992
66	No: 3/G14, 3/G15 & 3/G16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah	Leasehold - (31/12/2086) - 64/99 years	Branch premises	4,141	28	1,407	04/02/1997
67	No. 177, Limbok Hill, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey detached house	6,730	50	9	16/08/1972

			Description of property	Gross Area	Age	Net book value	Date of
	Location	Tenure	held	(Sq-ft)	(Years)	(RM'000)	Acquisition
68	No. 11, Jalan Emas 2, Taman Emas Cheras, 43200 Cheras, Selangor	Freehold	Vacant	5,804	30	-	25/05/1993
69	No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur	Freehold	Branch premises	9,600	26	17,384	01/06/2015
70	No. 300, Jalan Jelutong, 11600 Pulau Pinang	Freehold	Branch premises	16,652	21	12,535	23/06/2015
71	Lot 1, Block 35, Fajar Commercial Complex, Jalan Lembaga, 91000 Tawau, Sabah	Leasehold - (31/12/2895) - 873/998 years	Branch premises	13,880	51	4,569	17/08/2015
72	Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	8	536,098	03/07/2015
73	01-01, 01-02, 01-03, 01-05, Blok D, Komersil Southkey Mozek, Persiaran Southkey 1, Kota Southkey, 80150, Johor Bahru	Leasehold - (21/2/2100) - 78/99 years	Branch	18,317	5	13,944	16/11/2018
74	No. 8, Jalan 3/5-C, Taman Setapak, Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur	Leasehold - (28/8/2086) - 64/99 years	Branch	6,908	5	1,976	13/09/2018
75	No. Hakmilik 1205, No. Lot 4057 Muikim 06 Daerah Seberang Perai Tengah, Pulau Pinang	Freehold	Vacant	65,340	2	10,342	25/02/2021

#### **BRANCHES AS AT 30 JUNE 2023**

#### FEDERAL TERRITORY KUALA LUMPUR

- Level 1, Wisma Hong Leong, 18, Jalan Perak,
   50450 Kuala Lumpur
- 2 No. 34, 36 & 38, Jalan Petaling, 50000 Kuala Lumpur
- 3 No. 2-0, Lorong 2/137C, Off Jalan Klang Lama, 58200 Kuala Lumpur
- 4 No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur
- 5 No. 77C & D, Lot 58529, Jalan Kepong, 52100 Kuala Lumpur
- No. 31 & 33, Jalan 1/116 B,
   Kuchai Entrepreneurs Park,
   Off Jalan Kuchai Lama,
   58200 Kuala Lumpur
- 7 No. 37, Jalan Telawi 3, Bangsar Baru,59100 Kuala Lumpur
- No. 8 & 10, Jalan 3/50C,
   Taman Setapak Indah Jaya,
   Off Jalan Genting Klang,
   53300 Kuala Lumpur
- No. 114 & 116, Jalan Cerdas,
   Taman Connaught, Cheras,
   56000 Kuala Lumpur
- No. 468-B2(A), Blok B, Ground Floor, Rivercity 3rd Mile Jalan Ipoh,
   51200 Kuala Lumpur
- 11 180-0-7 & 180-0-8, Wisma Mahkota,
   Taman Maluri, Cheras,
   55100 Kuala Lumpur
- 12 No. 50, Jalan Merlimau, Off Jalan Kenanga, 55200 Kuala Lumpur
- 13 No. 2, Jalan Rampai Niaga 1, Rampai Business Park, Taman Sri Rampai, 53300 Kuala Lumpur
- 14 No. 44 & 46, Block A, Plaza Sinar, Jalan 8/38D, Taman Sri Sinar, Segambut, 51200 Kuala Lumpur

- No. 71 & 73, Jalan Radin Tengah,
   Zone J 4, Bandar Baru Seri Petaling,
   57000 Kuala Lumpur
- 16 No. 7 & 9, Jalan 2/109F,
  Plaza Danau 2, Taman Danau Desa,
  Off Jalan Klang Lama,
  58100 Kuala Lumpur
- 17 A-G-10 & A-01-11, Jalan 26/70A, Desa Sri Hartamas, 50480 Kuala Lumpur
- 18 150, Jalan Tun Sambanthan,50470 Kuala Lumpur
- 19 No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur
- 20 166 & 168, Jalan 2/3A Off KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur
- 21 No. 15, 16 & 17, Jalan Midah Satu, Taman Midah, Cheras, 56000 Kuala Lumpur
- 22 Ground Floor(Lot G3), Menara Raja Laut,
   No. 288, Jalan Raja Laut,
   50350 Kuala Lumpur
- 23 Ground & Mezzanine Floors,
  No. 2-21A & 2-21A1,
  Jalan Desa 1/1, Desa Aman Puri,
  52100 Kepong, Kuala Lumpur
- 24 Unit E-1-2 Level 1 Block E, Pusat
  Komersial Southgate, No 2 Jalan Dua,
  Off Jalan Chan Sow Lin,
  55200 Kuala Lumpur
- 25 Ground & 1st Floor, Unit 25-G & 25-1,
   Signature Office, Mid Valley City,
   Lingkaran Syed Putra,
   59200 Kuala Lumpur
- 26 Tingkat Bawah, No. 6 & 8, Blok 5,
   Jalil Link, Jalan Jalil Jaya 6, Bukit Jalil,
   57000 Kuala Lumpur
- 27 No 63, Jalan Medan Putra 1,Medan Putra Business Centre, Menjalara,52200 Kuala Lumpur
- 28 Level 1 Menara Hong Leong, No. 6,Jalan Damanlela, Bukit Damansara,50490 Kuala Lumpur

- 29 No. 1-GM, Jalan Perdana 4/6,Pandan Perdana,55300 Kuala Lumpur
- 30 No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Kuala Lumpur
- 31 No. 23GM & 25GM, Jalan Pandan Indah 4/8, 55100 Kuala Lumpur

### **SELANGOR DARUL EHSAN**

- 32 No. 80 & 82, Jalan Othman (1/14), 46000 Petaling Jaya, Selangor Darul Ehsan
- 33 No. 3, Jalan Takal 15/21, Seksyen 15,40000 Shah Alam,Selangor Darul Ehsan
- 34 No. 59A, Jalan Welman,48000 Rawang, Selangor Darul Ehsan
- Wisma Meru, No. 1,
   Lintang Pekan Baru, Off Jalan Meru,
   41050 Klang, Selangor Darul Ehsan
- 36 No. 119 & 121,Jalan Sultan Abdul Samad,42700 Banting, Selangor Darul Ehsan
- 37 No. 64, Jalan Stesen,45000 Kuala Selangor,Selangor Darul Ehsan
- 38 W-1-0, W-2-0 & W-1-1,
  Subang Square Business Centre,
  Jalan SS15/4G,
  47500 Subang Jaya,
  Selangor Darul Ehsan
- 39 No. 91,Lorong Memanda 1, Ampang Point,68000 Ampang,Selangor Darul Ehsan
- 40 No. 2, Jalan Kinrara, Taman Kinrara, Jalan Puchong, 47100 Selangor Darul Ehsan

- 41 No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan
- 42 No. 12 & 14, Jalan PJS 11/28A,
  Metro Bandar Sunway, Bandar Sunway,
  46150 Petaling Jaya,
  Selangor Darul Ehsan
- 43 No. 1 & 3, Jalan Sri Sarawak 17,
  Taman Sri Andalas,
  41200 Klang, Selangor Darul Ehsan
- 44 No. 11 & 13, Jalan M/J 1, Taman Majlis Jaya, Jalan Sungai Chua, 43000 Kajang, Selangor Darul Ehsan
- 45 No. 174 & 174A, Jalan Besar,42800 Tanjung Sepat, Kuala Langat,Selangor Darul Ehsan
- 46 No. 18 & 20, Jalan 20/16A,
  Taman Paramount,
  46300 Petaling Jaya,
  Selangor Darul Ehsan
- 47 No. 15 & 16 Jalan Menteri Besar 2, New Sekinchan Business Centre, 45400 Sekinchan, Selangor Darul Ehsan
- 48 No. 36, Jalan Dato Shahbudin 30,
  Taman Sentosa,
  41200 Klang, Selangor Darul Ehsan
- 49 No.39 & 41, Jalan SJ 17, Taman Selayang Jaya, 68100 Batu Caves, Selangor Darul Ehsan
- 50 No. 169, Jalan Teluk Pulai,41100 Klang, Selangor Darul Ehsan
- 51 No. 1G-3G, Jalan Wawasan 2/10, Bandar Baru Ampang,
  68000 Ampang,
  Selangor Darul Ehsan
- 52 No 25-29G, Jalan SS 21/60,47400 Damansara Utama,Petaling Jaya, Selangor Darul Ehsan
- 53 No. G-16, 1-16 & 2-16 & G-17, 1-17 & 2-17, Jalan Prima SG1, Taman Prima Sri Gombak, 68100 Batu Caves, Selangor Darul Ehsan

- 54 No. 68, Lorong Batu Nilam 4A,Bandar Bukit Tinggi,41200 Klang, Selangor Darul Ehsan
- 55 No. 1 & 3, Jalan Seri Taming 1F,Taman Seri Taming, Batu 9,43200 Cheras, Selangor Darul Ehsan
- 56 No. 7 & 9,
  Jalan Bunga Tanjong 6A,
  Taman Putra,
  68000 Ampang, Selangor Darul Ehsan
- 57 No. 22 & 24, Jalan 14/14, 46100 Petaling Jaya, Selangor Darul Ehsan
- 58 Wisma Keringat 2, No. 17, Lorong Batu Caves 2, 68100 Batu Caves, Selangor Darul Ehsan
- 59 Ground Floor, Tower A PJ City
   Development 15A,
   Jalan 219, Section 51A,
   46100 Petaling Jaya,
   Selangor Darul Ehsan
- 60 No. E-01-07 & E-01-08, Jalan Puchong
  Prima 5/3, Puchong Prima,
  47100 Puchong, Selangor Darul Ehsan
- 61 No. 30, Jalan Public, Sungai Buloh New Village, 47000 Sungai Buloh, Selangor Darul Ehsan
- 62 No. 64, Jalan BRP 1/2, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan
- 63 No. 5 & 7 Jalan Besar Susur 1, 43300 Seri Kembangan, Selangor Darul Ehsan
- 64 No. 7 & 9, Jalan Pasar Baru 2,
  Seksyen 3, Bandar Semenyih,
  43500 Semenyih,
  Selangor Darul Ehsan
- 65 No. 2, Jalan Puteri 2/4, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan
- 66 No. 1, Jalan Temenggung 21/9,Bandar Mahkota Cheras,43200 Cheras, Selangor Darul Ehsan

- 67 No. 2G, 2-1 & 2A-G, Jalan Cheras
  Maju, Pusat Perniagaan Cheras Maju,
  43200 Balakong,
  Selangor Darul Ehsan
- 68 5, Jalan SL 1/4, Bandar Sungai Long, 43000 Kajang, Selangor Darul Ehsan
- 69 Ground Floor, 36, Jalan Sulaiman, 43000 Kajang, Selangor Darul Ehsan
- 70 No. 9 & 11, Jalan 52/2,
  PJ New Town Centre,
  46200 Petaling Jaya,
  Selangor Darul Ehsan
- 71 90, Persiaran Raja Muda Musa,42000 Pelabuhan Klang,Selangor Darul Ehsan
- 72 3, Jalan Bandar Satu,Pusat Bandar Puchong,47100 Puchong, Selangor Darul Ehsan
- 73 No. 26 & 27, Jalan Kenari 1,
  Bandar Puchong Jaya,
  47100 Puchong, Selangor Darul Ehsan
- 74 No. 28 & 30, Jalan SS 2/67, 47300 Petaling Jaya, Selangor Darul Ehsan
- 75 Lot 43 & 45, Jalan USJ 10/1G, 47620 Subang Jaya, Selangor Darul Ehsan
- 76 51 & 53, Jalan TSB 10A,
  Taman Industri Sungai Buloh,
  47000 Sungai Buloh,
  Selangor Darul Ehsan
- 77 No. 2, Jalan PJU 5/8,
  Dataran Sunway, Kota Damansara,
  47810 Petaling Jaya,
  Selangor Darul Ehsan
- 78 No. 5 & 7, Jalan Cempaka 1,
  Taman Cempaka,
  48200 Serendah, Hulu Selangor,
  Selangor Darul Ehsan
- 79 26-32, Jalan Kapar,41400 Klang, Selangor Darul Ehsan
- 80 No. 19, Jalan Setia Prima R U 13/R,
  Setia Alam, Seksyen U13,
  40170 Shah Alam,
  Selangor Darul Ehsan

- 81 No. 3-G, Jalan Anggerik Vanilla
  N31/N, Kota Kemuning,
  40460 Shah Alam,
  Selangor Darul Ehsan
- 82 No. 1 & 3
  Jalan PJU 1/43, Aman Suria,
  47301 Petaling Jaya,
  Selangor Darul Ehsan
- 83 Ground Floor, Lot G01,
  Giant Hypermarket Putra Heights,
  Persiaran Putra Perdana,
  47560 Putra Heights,
  Selangor Darul Ehsan
- 84 Ground Floor, No. 109 & 111,Jalan Mahogani 5, Bandar Botanic,41200 Klang, Selangor Darul Ehsan
- 85 No. 4G & 6G, Jalan Equine 1B, Taman Equine Boulevard,
  43300 Seri Kembangan,
  Selangor Darul Ehsan
- 86 No. 8, Jalan UP 1/5,
  Taman Ukay Perdana,
  68000 Ampang,
  Selangor Darul Ehsan
- 87 No. 21, Jalan BS 10/6,
  Seksyen 10, Bukit Serdang,
  43300 Seri Kembangan,
  Selangor Darul Ehsan
- 88 No. 120, Jalan Puj 3/2,
  Taman Puncak Jalil,
  Bandar Putra Permai,
  43300 Seri Kembangan,
  Selangor Darul Ehsan

### PAHANG DARUL MAKMUR

- 89 No. 59 & 60, Jalan Temerloh,
  Locked Bag No. 9,
  28409 Mentakab,
  Pahang Darul Makmur
- 90 No. 25, Jalan Tun Ismail, 25000 Kuantan, Pahang Darul Makmur
- No. 39-41, Jalan Tun Razak,
   27600 Raub, Pahang Darul Makmur

- 92 No. F105 & F106, Jalan Kuantan,28000 Temerloh,Pahang Darul Makmur
- 93 No. 36, Main Road, Tanah Rata, 39000 Cameron Highlands, Pahang Darul Makmur
- 94 No. 1, Bentong Heights,28700 Bentong,Pahang Darul Makmur
- 95 No. B 278 & B 280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur
- 96 No. 113, Jalan Inderapura 1,Bandar Inderapura,27000 Jerantut, Pahang

### **TERENGGANU DARUL IMAN**

- 97 Lot 3594 & 3595, Jalan Baru Pak Sabah, 23000 Dungun, Terengganu Darul Iman
- 98 Hong Leong Islamic Bank Berhad
   No. 31, Jalan Sultan Ismail,
   20200 Kuala Terengganu,
   Terengganu Darul Iman
- 99 No. 1107 R,S & T, Jalan Pejabat,
   20200 Kuala Terengganu,
   Terengganu Darul Iman
- 100 No. 5686 & 5694-B, Jalan Kubang Kurus, 24000 Kemaman, Terengganu Darul Iman

### **KELANTAN DARUL NAIM**

- 101 Hong Leong Islamic Bank Berhad
  Ground & Mezanine Floor,
  No. 1121A & B, Jalan Padang Garong,
  Seksyen 12,
  15000 Kota Bahru,
  Kelantan Darul Naim
- 102 PT 320 & 321, Seksyen 25, Jalan Sultan Yahya Petra, 15200 Kota Bahru, Kelantan Darul Naim

### **PERLIS INDERA KAYANGAN**

103 No. 40 & 42, Jalan Bukit Lagi, 01000, Kangar, Perlis Indera Kayangan

#### **KEDAH DARUL AMAN**

- 104 Ground Floor & 1st Floor. No. 212, Jalan Gangsa, Seberang Jalan Putra, 05150 Alor Setar. Kedah Darul Aman 105 Ground & 1st Floor, No. 64 & 65, Jalan Pengkalan, Taman Pekan Baru, 08000 Sungai Petani, Kedah Darul Aman 106 No. 1 & 2, Jalan Raya, 09800 Serdang, Kedah Darul Aman 107 No. 62 & 63, Jalan Bayu Satu, 09000 Kulim, Kedah Darul Aman 108 No. 167 & 168, Susuran Sultan Abdul Hamid 11, Kompleks Perniagaan Sultan Abdul Hamid Fasa 2, 05050 Alor Setar, Kedah Darul Aman
- 109 No. 9A & 9B, Jalan Kampung Baru, 08000 Sungai Petani, Kedah Darul Aman
- 110 18K & 18L, Jalan Raya, 08300 Gurun, Kedah Darul Aman
- 111 Ground & First Floor, 255, Jalan Legenda 10, Legenda Heights, 08000 Sg Petani, Kedah Darul Aman
- 112 No. 93, Langkawi Mall,Jalan Kelibang,07000 Kuah, Langkawi,Kedah Darul Aman
- 113 No 1520-2A, Pantai Halban, Jalan Kepala Batas, 06000 Jitra, Kedah Darul Aman

### **PULAU PINANG**

- 114 No. 1, Light Street, Georgetown, 10200 Pulau Pinang
- 115 No. 9 & 10, Jalan Todak 2, Pusat Bandar, Seberang Jaya, 13700 Prai, Pulau Pinang
- 116 Unit G-02, Mezzanine 2-028, No. 405, Jalan Burmah, 10350 Pulau Pinang
- 117 No. 15-G-1 (Bayan Point), Medan Kampung Relau, 11900 Pulau Pinang
- 118 1780 & 1781, Jalan Nibong Tebal, Taman Panchor Indah, 14300 Pulau Pinang
- 119 98-G-15, Prima Tanjung, Jalan Fettes, Tanjung Tokong, 10470 Pulau Pinang
- 120 No. 1, Lebuh Kurau 1, Taman Chai Leng, 13700 Prai, Pulau Pinang
- 121 No. 19, Jalan Bertam, 13200 Kepala Batas, Seberang Prai, Pulau Pinang
- 122 No. 723-G-G, 723-H-G & 723-I-G, Jalan Sungai Dua, 11700 Pulau Pinang
- 123 No. 6963 & 6964, Jalan Ong Yi How, Kawasan Perusahan Raja Uda, 13400 Butterworth, Pulau Pinang.
- 124 Lot G-17 & G-18, Jalan Dato Keramat, Penang Times Square, 10150 Georgetown, Pulau Pinang
- 125 No. 1823-G1, Jalan Perusahaan Auto-City, North-South Highway Juru Interchange, 13600 Prai, Pulau Pinang
- 126 No. 300 Jalan Jelutong, 11600 Pulau Pinang
- 127 Ground Floor, No. 16A & 16B,Lebuhraya Thean Teik,Bandar Baru Ayer Itam,11500 Pulau Pinang

- 128 No. 31, 33, 35, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Pulau Pinang
- 129 No. 3350 & 3351, Jalan Rozhan, Taman Industri Alma Jaya, 14000 Bukit Mertajam, Pulau Pinang
- 130 No. 1, Jalan Besar, Taman Tempua, 14000 Simpang Ampat, Pulau Pinang
- 131 No. 306-F, Jalan Dato Ismail Hashim, Sungai Ara, 11900 Bayan Lepas, Pulau Pinang
- 132 Ground & First Floor,
  No. 1, Medan Limau Emas,
  Pusat Perniagaan Limau Emas,
  Off Jalan Song Ban Keng,
  14000 Bukit Mertajam, Pulau Pinang

#### PERAK DARUL RIDZUAN

- 133 Lot-A-G-2 (Ground Floor),
  No. 1, Persiaran Greentown 2,
  Greentown Business Centre,
  30450 Ipoh, Perak Darul Ridzuan
- 134 N-20, Jalan Bidor Raya, Off Jalan Persatuan, 35500 Bidor, Perak Darul Ridzuan
- 135 No. 41, Jalan Taiping, 34200 Parit Buntar, Perak Darul Ridzuan
- 136 No. 16 & 17, Taman Sitiawan Maju, Jalan Lumut, 32000 Sitiawan, Perak Darul Ridzuan
- 137 Ground & First Floors, No. 116 & 117, Jalan Besar, 31450 Menglembu, Ipoh, Perak Darul Ridzuan
- 138 No. 28, Medan Silibin, 30100 Ipoh, Perak Darul Ridzuan
- 139 No. 53, 55 & 57, Jalan Stesyen, 34000 Taiping, Perak Darul Ridzuan
- 140 No. 133 & 135 Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan
- 141 No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan

- 142 No. 11 & 12,
  Kompleks Menara Condong,
  Jalan Bandar,
  36000 Teluk Intan,
  Perak Darul Ridzuan
- 143 No. 579 & 579A, Jalan Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan
- 144 No. 91 & 93, Jalan Dato Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan
- 145 86 & 88, Jalan Besar, 32400 Ayer Tawar, Perak
- 146 PT 1167 & 1168, Jalan Chui Chak, 36700 Langkap, Perak Darul Ridzuan
- 147 Ground & First Floor, No.254 & 254A,Jalan Raja Dr. Nazrin Shah,Gunung Rapat,31350 Ipoh, Perak Darul Ridzuan
- 148 No. 25 & 27, Jalan Bunga Anggerik, Taman Bunga Raya, 35900 Tanjong Malim, Perak Darul Ridzuan
- 149 Ground & First Floor, No. 362,Medan Bercham, Jalan Bercham,31400 Ipoh, Perak Darul Ridzuan

#### NEGERI SEMBILAN DARUL KHUSUS

- 150 No. 100, Jalan Gurney, 72100 Bahau, Negeri Sembilan Darul Khusus
- 151 No. 69, 70 & 71, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus
- 152 No. 112, Jalan Yam Tuan Raden, 72000 Kuala Pilah, Negeri Sembilan Darul Khusus
- 153 Lot Pt 5729 & 5730, Jalan TS 2/1D, Taman Semarak, 78100 Nilai, Negeri Sembilan Darul Khusus
- 154 Lot 3120 & 3121, Jalan Besar, Lukut, 71010 Port Dickson, Negeri Sembilan Darul Khusus

155 145-G, 145-1 & 146-G, Blok M,
Taipan Senawang,
Senawang Commercial Park,
70450 Negeri Sembilan Darul Khusus

156 Ground, 1st & 2nd Floors, No. 7 & 8, Jalan S2 B15, Biz Avenue, Seremban 2, 70300 Seremban, Negeri Sembilan Darul Khusus

#### **MELAKA**

- 157 No. 345, Jalan Ong Kim Wee, 75300 Melaka
- 158 No. 150 & 152, Kompleks Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka
- 159 Lot BB-371A & B, Taman Melaka Baru, Batu Berendam, 75350 Melaka
- 160 Lot 215 & 130, Jalan Besar, 78300 Masjid Tanah, Melaka
- 161 No. 1, 1-1 & 3, Jalan Malim Jaya 2/7A, Taman Malim Permai, 75250 Melaka
- 162 No. 67 & 69,
- Jalan Merdeka, Taman Melaka Raya, 75000 Melaka

163 No. 76 & 76-1, Jalan Inang 4 (Cheng), Taman Paya Rumput Utama, 76300 Paya Rumput, Melaka

#### JOHOR DARUL TAKZIM

- 164 No. 12 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim
- 165 No. 70, Jalan Segamat, 85300 Labis, Johor Darul Takzim
- 166 Lot No. 24 & 25, Jalan Ahmad Ujan, Taman Kota Besar, 81900 Kota Tinggi, Johor Darul Takzim
- 167 No. 120 122, Jalan Mersing, 86000 Kluang, Johor Darul Takzim
- 168 No. 173 & 175, Jalan Sri Pelangi, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim
- 169 No. 6 & 8, Jalan Nakhoda 12, Taman Ungku Tun Aminah, 81300 Skudai, Johor Darul Takzim
- 170 No. 6 & 7, Jalan Anggerik 1, Taman Kulai Utama, 81000 Kulai, Johor Darul Takzim
- 171 No. LC 531, Jalan Payamas, 84900 Tangkak, Johor Darul Takzim
- 172 No. 109, Main Road, 83700 Yong Peng, Johor Darul Takzim
- 173 No. 39 & 41, Jalan Kebudayaan 1, Taman Universiti, 81300 Skudai, Johor Darul Takzim
- 174 Ground & Mezzanine Floors,
  Penggaram Complex, No. 1,
  Jalan Abdul Rahman,
  Off Jalan Rahmat,
  83000 Batu Pahat, Johor Darul Takzim
- 175 No. 80, Jalan Dedap 13, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim
- 176 No. 2, Jalan Jati Satu, Taman Nusa Bestari Jaya, 81300 Skudai, Johor Darul Takzim
- 177 No. 5, Jalan Camar 1/3, Taman Perling, 81200 Johor Bahru, Johor Darul Takzim
- 178 No. 35, 37 & 39, Jalan Johar 1, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim

- 179 No. 8-10, Jalan Nusaria 11/7, Taman Nusantara, 81550 Gelang Patah, Johor Darul Takzim
- 180 105-106, Jalan Besar, 81750 Masai, Johor Darul Takzim
- 181 30 & 31, Jalan Mawar 1, Taman Mawar,81700 Pasir Gudang,Johor Darul Takzim
- 182 1, 1A, 1B & 1C, Jalan Belimbing, 81400 Senai, Johor Darul Takzim
- 183 01-01, 01-02, 01-03, 01-05,
  Block D Komersil Southkey Mozek,
  Persiaran Southkey 1, Kota Southkey,
  80150 Johor Bahru,
  Johor Darul Takzim
- 184 No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim
- 185 No. 30 & 31, Jalan Delima,Pusat Perdagangan Pontian,82000 Pontian, Johor Darul Takzim
- 186 No. 43A & 45, Jalan Genuang, Kampung Abdullah, 85000 Segamat, Johor Darul Takzim
- 187 No. 29 & 31, Jalan Molek 2/4, Taman Molek, 81100 Johor Bahru, Johor Darul Takzim
- 188 No. 25 & 25A, Jalan Kenanga 29/1, Indahpura, 81000 Johor Bahru, Johor Darul Takzim
- 189 Ground & 1st Floor, No. 3, Pusat Dagangan Bakri, Jalan Bakri, 84000 Muar, Johor Darul Takzim
- 190 Ground Floor, No. 121 & 123, Jalan Austin Heights 3, Taman Mount Austin, 81100 Johor Bahru, Johor Darul Takzim
- 191 Ground Floor,
  No. 1, Jalan Setia Tropika 1/15,
  Taman Setia Tropika,
  81200 Johor Bahru,
  Johor Darul Takzim
- 192 No. 345A, Jalan Ismail, 86800 Mersing, Johor Darul Takzim

#### SABAH

- 193 Ground & 1st Floor, Lot No. 1, Block 35, Fajar Commercial Complex, Jalan Lembaga, 91013 Tawau, Sabah
- 194 No. 5 & 6 (Ground Floor), Lorong Lintas Plaza 1, Lintas Plaza, 88300 Kota Kinabalu, Sabah
- 195 Lot 1, 2 & 3, Block 18, Mile 4, North Road, Bandar Indah, 90000 Sandakan, Sabah
- 196 Ground Floor, Wisma Sandaraya, Humprey Street, 90000 Sandakan, Sabah
- 197 No. 19, Jalan Haji Saman, P.O. Box 11989, 88821 Kota Kinabalu, Sabah
- 198 No. 8, Jalan Pantai, Locked Bag No. 124, 88999 Kota Kinabalu, Sabah
- 199 Lot 4, 5 & 6, Block C, Lorong KK Taipan 2, Inanam New Township, 88450 Kota Kinabalu, Sabah
- 200 Lot 3-0-14 to 3-0-16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah
- 201 MDLD 4711 & 4712, Lot 3 & 4, Jalan Kastam Lama, 91100 Lahad Datu, Sabah
- 202 No. 38, Block E, Alamesra Plaza Permai, 88400 Kota Kinabalu, Sabah

#### **SARAWAK**

- 203 No. 35, Jalan Khoo Hun Yeang, 93000 Kuching, Sarawak
- 204 No. 42, Jalan Pending, 93450 Kuching, Sarawak
- 205 Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak

- 206 No. 133, 135 & 137, Jalan Kampung Nyabor, 96000 Sibu, Sarawak
- 207 No. 8-10, Lorong Maju, PO Box 279, 96508 Bintangor, Sarawak
- 208 Lot 13 & 14, Olive Garden, 7<sup>th</sup> Mile Bazaar, Jalan Pensrissen, 93250 Kuching, Sarawak
- 209 No. 175, Serian Bazaar, 94700 Serian, Sarawak
- 210 Lot 124, Saratok Baazar, P.O Box 71, 95407 Saratok, Sarawak
- 211 No. 10, Lot 734, Jalan Lee Kai Teng, 95700 Betong, Sarawak
- 212 No. 18, Chew Geok Lin Street, P.O Box 1461, 96000 Sibu, Sarawak
- 213 No. 722, Jalan Masjid, P.O Box 19, 96400 Mukah, Sarawak
- 214 Lot 122, Jalan Yong Moo Chai, P.O. Box 15, 96807 Kapit, Sarawak
- 215 Lot 11600-11602, Block 16, No. 127-129, R.H.Plaza, Jalan Lapangan Terbang, 93550 Kuching, Sarawak
- 216 Lot 122-124, Jalan Song Thian Cheok, 93100 Kuching, Sarawak
- 217 Lot 1078-1079, Buangsiol Road, P.O. Box 69, 98707 Limbang, Sarawak
- 218 Ground & First Floor, Lot 715, Merbau Road, 98008 Miri, Sarawak
- 219 No. 22-23, Suria Permata Commercial Centre, Jalan Lanang, 96000 Sibu, Sarawak
- 220 Lot 2499 & 2500, Ground & 1st Floor, Boulevard Commercial Centre, Jalan Miri-Pujut, KM 3, 98000 Miri, Sarawak

- 221 No. 18C & 20, Lorong Tun Razak 1, Jalan Masjid Lama, 96100 Sarikei Sarawak
- 222 10, 12, 14, 16 & 18, Mission Road, P.O. Box 656, 96007 Sibu, Sarawak
- 223 345-347, Ground Floor & 1st Floor, Central Park Commercial Centre, Jalan Tun Ahmad Zaidi Adruce,
  9 3200 Kuching, Sarawak
- 224 Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak

### FEDERAL TERRITORY PUTRAJAYA

225 Hong Leong Islamic Bank Berhad Lot T00 - U01, No. 5, Jalan P16, Precinct 16, 62150 Putrajaya, Wilayah Persekutuan

### FEDERAL TERRITORY LABUAN

226 No. 64, Jalan Tun Mustapha, 87007 Labuan

### **BUREAU DE CHANGE**

- Bureau De Change Bukit Bintang, No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur
- Bureau De Change Kuantan, No. 25, Jalan Tun Ismail,
   25000 Kuantan,
   Pahang Darul Makmur

#### **Overseas Branches and Subsidiaries**

### SINGAPORE

Main Office 1 Wallich Street #29-01 Guoco Tower Singapore 078881

#### **Banking Hall**

1

7 Wallich Street #B1-25 & B1-26 Tanjong Pagar Center Singapore 078884

Tel : (65)-63498338 Fax : (65)-65339340

### HONG KONG

1 50/F The Center 99 Queen's Road Central Central, Hong Kong

> Tel : 852-22838838 Fax : 852-22853138

#### VIETNAM

1 **Hong Leong Bank Vietnam Limited** Ground Floor, Centec Tower 72-74 Nguyen Thi Minh Khai Street District 3, Ho Chi Minh City

Tel : 848-6299 8100 Fax : 852-6299 8101

#### 2 Hong Leong Bank Vietnam Limited Pacific Place, GF, Unit 08-09,

83B Ly Thuong Kiet Str, Tran Hung Dao Ward, Hoan Kiem District Hanoi, Vietnam

Tel : 848-62998100 Fax : 848-62998101

### CAMBODIA

 Hong Leong Bank (Cambodia) PLC Head Office Branch: No. 28, Samdech Pan Avenue (St. 214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh Kingdom of Cambodia

> Tel : +855 23 999 711 Fax : +855 23 998 494

 Hong Leong Bank (Cambodia) PLC Tuol Kork Branch: No. 150 G & 150 M,
 Street 289 Sangkat Boeung Kak 1, Khan Toul Kork, Phnom Penh

#### Tel : +855 23 999 711

Hong Leong Bank (Cambodia) PLC
 Olympic Branch Branch:
 No 345, 347, and 349, Street 274,
 Sangkat Veal Vong, Khan 7 Makara,
 Phnom Penh

#### Tel : +855 23 999 711

Hong Leong Bank (Cambodia) PLC
 Pet Lok Sang Branch:
 No.23, Street 271,
 Sangkat Toeuk Thla,
 Khan Sensok, Phnom Penh,
 Cambodia

#### Tel : +855 23 999 711

5 Hong Leong Bank (Cambodia) PLC Mao Tse Toung Branch: No. 167CD, Mao Tse Toung Blvd (St. 245), Sangkat Toul Svay Prey 1, Khan Chamkamorn, Phnom Penh

Tel: +855 23 999 711

 Hong Leong Bank (Cambodia) PLC Boeung Snor Branch:
 # SL08 and SL09 of Polaris Shop, National road N01,
 Boeung Chhouk Village,
 Sangkat Niroth,
 Khan Chbar Ampov,
 Phnom Penh, Cambodia

#### Tel : +855 23 999 711

7 Hong Leong Bank (Cambodia) PLC
Sen Sok Branch:
#65&67, St. 1003, Phum Bayab,
Sangkat Phnom Penh Thmey,
Khan Sensok,
Phnom Penh, Cambodia

Tel : +855 92 376 263

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#### LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Hong Leong Bank Berhad Labuan International Branch (Licensed Labuan Bank No. 160118D): Level 6 (G), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 Labuan F.T. Malaysia

Tel : 6087-422253 Fax : 6087-422263

# FORM OF PROXY

HongLeong Bank Berhad Registration No. 193401000023 (97141-X)

I/We
· NRIC/Passport/Company No
of being a member of HONG LEONG BANK BERHAD (the "Bank"), hereby appoint
NRIC/Passport No
of
or failing him/her
NRIC/Passport No
of

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighty-Second Annual General Meeting of the Bank to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 30 October 2023 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

RESOLUTIONS			AGAINST
1.	To approve the payment of Director Fees and Directors' Other Benefits		
2.	To re-elect YBhg Tan Sri Quek Leng Chan as a Director		
3.	To re-elect YBhg Datuk Manharlal A/L Ratilal as a Director		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
SPE	CIAL BUSINESS		
5.	To approve the ordinary resolution on Authority to Directors to Allot Shares and Waiver of Pre-emptive Rights		
6.	To approve the ordinary resolution on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and Persons Connected with them		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Number of shares held

Signature(s) of Member

CDS Account No.

Notes:-

- 1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2023 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 2. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- 3. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- 4. A proxy may but need not be a member of the Bank.
- 5. Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- 6. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its duly authorised attorney or officer.
   All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit
- 8. All forms of Proxy must be duly executed and deposited at the Registered Uffice of the Bank at Level 30, Menara Hong Leong, No. 6, Jalah Damaniela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- 9. In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented			

10. Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice will be put to vote by way of a poll.

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#### The Group Company Secretary

HONG LEONG BANK BERHAD Registration No. 193401000023 (97141-X)

Level 30, Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Malaysia

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## Hong Leong Bank Berhad

Registration No. 193401000023 (97141-X)

Level 19, Menara Hong Leong No. 6, Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur Tel : 03-2081 8888 Fax : 03-2081 7801

### www.hlb.com.my

As part of Hong Leong Bank's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper.